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REVIEW OF FARMERS HOME ADMINISTRATION RURAL HOUSING PROGRAMS

HEARINGS

BEFORE A

SUBCOMMITTEE OF THE

COMMITTEE ON APPROPRIATIONS

UNITED STATES SENATE

NINETY-EIGHTH CONGRESS

SECOND SESSION

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REVIEW OF FARMERS HOME ADMINISTRATION RURAL HOUSING PROGRAMS

MONDAY, JANUARY 30, 1984

U.S. SENATE,
SUBCOMMITTEE ON AGRICULTURE, RURAL DEVELOPMENT,
AND RELATED AGENCIES,
COMMITTEE ON APPROPRIATIONS,
Washington, D.C.

The subcommittee met at 9 a.m. in the Washington County Courthouse, Greenville, Miss., Hon. Thad Cochran (chairman) presiding.

Present: Senators Cochran and Leahy.

CONGRESSIONAL REMARKS

OPENING STATEMENT OF SENATOR THAD COCHRAN

Senator COCHRAN. We welcome you to the Subcommittee on Agriculture, Rural Development, and Related Agencies of the U.S. Senate Committee on Appropriations. I personally appreciate your being here and especially appreciate the cooperation of the witnesses who have agreed to appear and testify before the subcommittee this morning. We are here for the purpose of examining the operation of the Farmers Home Administration housing programs as they are administered in the State of Mississippi. This subcommittee has the responsibility of recommending to the full Committee on Appropriations levels of funding for these programs.

We've been very fortunate in the past few years that I've served on this subcommittee in my capacity as chairman to get good support from the committee members and, in turn, to be supported by the full membership of the Senate. It also helps, I might add, when working on these appropriation levels, to enjoy the friendship and support of my colleague on the House side, Jamie Whitten, who is chairman of the Appropriations Committee of the House of Representatives. He's also chairman of the Agriculture Subcommittee of the Appropriations Committee in the House, and we have been working together in this way for the past several years. It's really been a pleasure to work with him.

Senator Stennis is a member of this subcommittee and sends his

regards to those of you who are here today. We continue to enjoy working with him on this committee.

SENATOR LEAHY AND DON BARRETT RECOGNIZED

We are especially happy today to have Senator Patrick Leahy from Vermont join us at this hearing. Senator Leahy is a member of the Appropriations Committee. He is also a very active member of the Agriculture Committee, so we see a lot of each other since I serve on Agriculture as well. He is a leader in the Senate in programs that relate to rural development and rural America, not only farm programs but also programs dealing with housing, health care, and all the rest. We are both convinced that in the rural areas of the United States there are special and unique needs that should be recognized by our Government and that sensitive and workable programs should be developed to provide assistance to those who live in rural areas who can't adequately provide for their own needs in housing, nutrition, health care, transportation, and other very vital services and benefits. But we are here today to specifically look at the housing programs.

I'm happy to see that we have our State director of the Farmers Home Administration programs here today, Don Barrett. I think he's providing strong and effective leadership as director of the Farmers Home Administration in Mississippi.

FARMERS HOME ..N MISSISSIPPI

This is an important agency. For over 30 years Farmers Home has provided rural people with housing assistance. There are currently 400,000 households owning units financed by Farmers Home Administration. Overall, Farmers Home has financed 1.64 million units of single-family housing. The average annual income of these families is about $10,500. About 255,000 households, over 30 percent of which are elderly, live in Farmers Home Administration financed rental houses; almost 40,000 elderly households have received Farmers Home Administration grants to repair and weatherize their homes. Farmers Home programs operate as a supplement to credit available from private lenders, not in competition with them. In fact, they often complement each other because, in many cases, those in rural areas do not have adequate access to credit. There are fewer lending institutions in these areas, and the institutions that are present have fewer assets per capita available for lending. Even if a rural community has a savings and loan institution, rural residents often do not have the means to pay for homes at current prices and at conventional rates. In Mississippi, 23.9 percent of all individuals have an income below the poverty level.

During the past fiscal year, Mississippi received almost $163 million through the Farmers Home rural housing program. Washington County received $3,689,000. I think our director, Don Barrett, is to be congratulated for his tremendous efforts and success in getting these funds delivered to eligible Mississippians and to fund eligible projects. I feel we have an excellent mechanism for reaching rural citizens.

We would like to explore today how the programs are working, how we can improve the system, and exactly what recommendations, if any, there are here in Mississippi for us to take back to Washington, either to enhance the level of funding or recommend legislative changes in these programs. I look forward to hearing from each of the witnesses who are scheduled to appear.

PREPARED STATEMENT

At this point, I would like to insert my prepared statement into the hearing record.

[The statement follows:]

STATEMENT OF SENATOR COCHRAN

Good morning. I'm pleased to be here in Greenville. I want to thank Senator Leahy from Vermont for accompanying me to this important investigative hearing of the Subcommittee on Agricultural, Rural Development, and Related Agencies of the U.S. Senate Committee on Appropriations. Senator Leahy is a strong leader and advocate of rural America in the Senate, so I am especially pleased to have him with me in Mississippi.

We are here today to address the benefits and difficulties surrounding the Farmers Home Administration rural housing program. These programs were created because private industry did not meet the needs of rural areas. It is my belief that rural America has problems and needs separate and distinct from those of more urban areas.

For over 30 years, FmHA has provided rural people of all kinds—the farmer, the elderly person, the farmworker—with needed housing assistance. Currently, about 400,000 households own units financed by FmHA. Overall, FmHA has financed 1.64 million units of single-family housing. The average annual income of these families is about $10,500. About 255,000 households, over 30 percent of which are elderly, live in FmHA-financed rental housing. Almost 40,000 elderly households have received FmHA grants to repair and weatherize their homes.

Farmers Home programs operate as a supplement to credit available from private lenders, not in competition with them. In fact, they often complement each other because, in many cases, rural people do not have adequate access to credit. There are fewer lending institutions and the institutions that are present have fewer assets per capital available for lending. Even if the rural community has a savings and loan institution, rural residents often do not have the means to pay for homes at conventional rates. In Mississippi, 23.9 percent of all individuals have an income below the poverty level.

During fiscal year 1983, Mississippi received $162,972,000 through the FmHA rural housing program. Washington County received $3,689,000. Don Barrett, director of Mississippi's FmHA, is to be congratulated for his tremendous efforts and success in delivering these funds to rural Mississippians. I feel that we have an excellent mechanism for reaching rural citizens but would like to explore today how we can improve that system and learn exactly how the system is working.

I look forward to hearing from each of our witnesses.

STATEMENT OF HON. PATRICK J. LEAHY, U.S. SENATOR FROM VERMONT

Senator COCHRAN. Senator Leahy, again let me welcome you to Mississippi. It's a pleasure having you here, and I now recognize any statement that you have.

Senator LEAHY. Thank you, Mr. Chairman. I must admit that Chairman Cochran has shown his usual hospitality in making sure that when I come down to Mississippi for my first visit that I'm here in Washington County. I was born and raised in Washington County, Vt.

I told Senator Cochran back here a while ago that Mississippi was one of the few States in the Union that I had not been to. He said he could quickly rectify that.

I should tell you, Thad, that Washington County, Vt., is under about 2½ feet of snow today. I appreciate the fact that you haven't done that to me here. When Senator Cochran came up to Vermont for some hearings, we didn't have an awful lot of snow, but it was 20 degrees below zero—the wind chill factor, I think, dropped it down to 45 degrees below zero.

I will not repeat, insofar as we are on the record, a couple of choice comments he made to me when we realized how cold we actually were, but he did let me know that that was not summertime weather in Mississippi.

It is good being here because Senator Cochran is one of only four Senators serving both on the Agriculture Committee and the Appropriations Committee, and it gives him a chance to either create problems or to be in a leadership position.

He took the latter and is a leader of the Senate effort to maintain a Federal commitment to provide decent and affordable housing to low- and moderate-income rural residents. He has been a strong advocate for that, not only for rural Mississippi, but also rural America everywhere. In fact, that's what brought him to Vermont.

IMPORTANCE OF FMHA RURAL HOUSING PROGRAMS

He knows, as I do, that the Farmers Home Administration rural housing programs are particularly important. Since the late 1930's and 1940's, these programs have enabled more than 1.3 million people—rural families—to move into decent homes. We still have a lot to do. Rural America has a disproportionate share of the substandard housing in this country, homes with no plumbing or running water or poor to nonexistent sewage disposal. That's the case in rural America wherever it is. No one State has a monopoly on the need for good housing, so we have to do a lot more.

FUNDING FOR RURAL HOUSING

There have been proposals to put the Farmers Home Administration rural housing programs in a block grant and hand them over to the States. I would like to hear our FmHA witnesses address that, but I want to hear what would happen, though, if that block grant proposal came out with a 67-percent funding cut as first proposed. Under that proposal, funding would have been cut from $3 billion to approximately $850 million. I don't know of any State, whether Mississippi, Vermont, or any other, that could operate with that kind of cut.

Mr. Chairman, you and I and a lot of others were able to block that, and I think your position as chairman of the crucial subcommittee on appropriations made it possible. We have 57 million people now living in our small towns and cities, and they're not Republicans and they're not Democrats and they're not Independents; they're Americans, rural Americans, and they need our help. Too often all we hear are the people in Washington talking about it.

I still recall one witness who spoke of my living in a rural area in Washington because I was out in Fairfax County in the McLean, Va., area. Fairfax County alone has more people than my State of Vermont. The McLean area is three or four times our largest city in Vermont. And I thought, my gosh, if this fellow thinks this is rural America, we're in deep trouble. So I applaud you, Mr. Chairman, in bringing the subcommittee here. This is rural America, and I think it will be far better testimony.

Now, I shall stop giving my testimony, put the rest in the record, and listen to the good folk down here.

Senator COCHRAN. Thank you very much, Senator. I appreciate again your being here and the valuable contribution that you make on the committee, in the Senate, and here working with the problems that we both know are very important.

[The statement follows:]

STATEMENT OF SENATOR LEAHY

Mr. Chairman, I am very pleased to be here in Greenville this morning to hear testimony on the effectiveness of Federal housing programs which serve rural areas.

I know that you have been a leader of the Senate effort to maintain the Federal commitment to provide decent and affordable housing to low- and moderate-income rural residents.

The Farmers Home Administration rural housing programs are particularly important. Since the late 1930's and early 1940's these programs have enabled more than 1.3 million rural families to move into decent homes. Much progress has been made.

Problems remain, however. Rural America still suffers a disproportionate share of the substandard housing in this country—homes with no plumbing, no running water, or poor or nonexistent sewage disposal. In fact, the Reagan administration's rural strategy report cites the need for a continued effort to rid the rural countryside of indecent, unlivable housing.

Mr. Chairman, I agree with the administration that our work needs to move forward. I do not agree with their suggested method. The administration and some in Congress contend that if the FmHA rural housing programs were placed in a block grant and handed over to the States, the delivery of services would improve. This may make sense, and I would be interested to hear from our two FmHA witnesses on that.

The main problem with their proposal, Mr. Chairman, is that they first want to cut rural housing funds in a most severe way. In 1982, when the block grant was first proposed, the administration proposed a 67-percent funding cut, from more than $3 billion to approximately $850 million. I do not know of any State, whether Mississippi, Vermont, or any of the others, which would want to try and operate a program with two-thirds less money.

I joined with you, Mr. Chairman, and many others, to defeat this proposal. Our rural housing programs have been successful in addressing a real need. There is always room for improvement in their operation, and I look forward to hearing suggestions from our witnesses this morning.

But there is no justification for the kinds of budget cuts that the administration and others have proposed, and as I understand it, will propose again in the fiscal year 1985 budget.

Mr. Chairman, I know that you share my commitment to helping rural America solve its unique and special problems. Republicans and Democrats alike know that the 57 million people now living in our small towns and places deserve close attention.

Too often, Federal bureaucrats in Washington do not understand the needs of rural Americans. It is incumbent upon us in the Congress, as well as the rural people themselves, to continue to remind official Washington that rural areas are just as important and deserve just as much attention as any other place in this country.

I look forward to hearing our witnesses today.

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NONDEPARTMENTAL WITNESSES

STATEMENT OF DON BARRETT, DIRECTOR, FARMERS HOME ADMINISTRATION IN MISSISSIPPI

ACCOMPANIED BY LESTER HOWELL, HEAD OF HOUSING PROGRAMS, FARMERS HOME ADMINISTRATION IN MISSISSIPPI

INTRODUCTION OF WITNESSES

Senator COCHRAN. I want to invite our first witnesses to come and sit up here at the table. We have Don Barrett, who is director of Farmers Home Administration in Mississippi. Accompanying him is Lester Howell, who is head of the housing programs at Farmers Home. I might mention that we have a very impressive list of witnesses who will be meeting with the subcommittee this morning.

In addition to Don Barrett and Lester Howell, whom I've just introduced, we have Dr. Aaron Henry, who is a member of the State legislature. He is very active in the housing area and has positions of responsibility nationwide as chairman of housing efforts for the elderly, the Black aged, and he is nationally known for his leadership in the effort to bring better and more affordable housing to the poor people who live in rural America.

Isaac Riley is also scheduled to testify this morning. He is president of the Mississippi Homebuilders Association and is very actively involved in helping bring to all areas of the State of Mississippi housing for all citizens.

Others include Clanton Beamon, who is head of the Delta Housing Development Corp.; Larry Farmer, Mississippi Action for Community Education here in Greenville; Bruno Tubertini, who is a contractor and builder of single-family housing and is familiar with Farmers Home programs; Eley Shappley, who is a contractor and is familiar specifically with multifamily housing and the programs of Farmers Home in those areas.

Let me welcome Don Barrett and Lester Howell and ask you to proceed with any statement that you may have, and then we'll have a chance to discuss your testimony and ask questions.

OPENING STATEMENT OF DON BARRETT

Mr. BARRETT. Mr. Chairman and Senator Leahy, I appreciate the opportunity to be with you today to discuss the rural housing program administered by the Farmers Home Administration in the State of Mississippi. The program is strong and active and is providing safe, decent, and sanitary housing for thousands of low- and moderate-

income people who would have no other source of adequate credit without the Farmers Home presence.

NUMBER AND AMOUNTS OF LOANS

At the end of the 1983 fiscal year, the Farmers Home Administration had more than 58,000 housing loans outstanding in the State of Mississippi with a total value of just over $1 billion, as you pointed out, Senator Cochran. The single-family home loans constituted by far the largest portion—more than 54,000 loans totaling almost $900 million. During the last fiscal year, 4,300 housing loans were made by Farmers Home Administration in Mississippi for a total of almost $163 million. That's approximately twice our allocation. Again, single-family housing had the largest share with more than 3,600 loans totaling more than $110 million. Rural rental housing accounted for $50 million and farm labor housing for $587,000. During the first quarter of the 1984 fiscal year—that's October, November, and December 1983—more than 400 single-family loans had been approved for a total of $11.7 million.

I would like to point out that that's during a time when our employees have to be working on farmer program loans, getting ready to make crop loans. The housing loans have to take a backseat during that period of time, but we're still proud of what we were able to do.

Mr. Chairman, these figures show the program is working. It's popular, and it's very much in demand. I would be happy to answer any questions that you may have.

Senator COCHRAN. Mr. Howell, do you have a prepared statement?

Mr. HOWELL. I do not.

MISSISSIPPI'S OBLIGATION RATE

Senator COCHRAN. I was impressed with the figures that you gave on the total amount of money that has been obligated in Mississippi for our housing programs, and you mentioned that was almost twice our State's allocation. Is that for all the housing programs or just single-family?

Mr. BARRETT. All the programs together. The allocation was—Lester can correct me if I'm wrong—$53 million for single-family and we wound up spending $110 million. We had a $26 million allocation for multifamily, but by aggressively pursuing the pool funds that other States didn't use, we were able to get over $50 million, so we doubled it.

Senator COCHRAN. How does that compare with previous years' lending activity? You've been with the agency several years, have you not, Lester?

Mr. HOWELL. Correct; 20 something. This is a record year dollarwise, but not a record year for number of units.

Senator COCHRAN. What has been the trend over the past several years? Is there any measuring stick by which we can see whether or not we are using Federal dollars effectively down here compared with previous years?

Mr. HOWELL. Of course, the demand continues to stay basically the same; that is, more applications than we have money to fund. Presently, we are running some 6,500 to 7,000 502 applications, and this is fairly typical.

Senator COCHRAN. The 502 applications are what?

Mr. BARRETT. For individual homes.

Senator COCHRAN. Single-family housing loans?

Mr. BARRETT. Correct.

Senator COCHRAN. I'm not sure it's wise to let Senator Leahy in on this. [Laughter.] He might go back and tell them that we're getting more than our fair share down here right now, but I think that's interesting. I was told by my staff that they thought we had obligated 198 percent of our allocation in Mississippi, and that's compared to 89.5 percent nationally. In other words, if those are correct figures, on a national basis most States do not allocate all the funds that they are entitled to allocate, but here in Mississippi in fiscal year 1983, because of the way you have worked, we have obligated 198 percent of Mississippi's allocation. I think that's a tremendous record, particularly when you have these applications that are pending and you don't have enough funds to provide everybody with a housing loan that's eligible for one and wants one.

Mr. BARRETT. That's true.

Senator Cochran, we know that we are not getting more than our fair share if fair share can be decided in terms of need. We have a great need in the State of Mississippi. It's almost an overwhelming need. We understand about the budget deficits, and we understand that spending cuts have to be made somewhere, but we think it's our job at Farmers Home Administration in Mississippi to be aggressive and efficient and to utilize the funds that are given to us as efficiently as possible and make the best use of our manpower. We think that's what we're doing.

EFFICIENT USE OF FUNDS

Senator COCHRAN. Has there been an equal amount of attention paid to making sure that the funds are used efficiently; that we're not wasting money or throwing away money in the housing programs that are administered by the agency?

Mr. BARRETT. Absolutely. And we are proud of that. Elsewhere in the country when foreclosures take place—I think the national average is a loss of about $4,300 when those homes are resold—in Mississippi we make money; we don't lose any money. We think that's indicative of the fact that we are operating efficiently, that we have gotten good value for the money that has been spent, and we've had a good servicing program that keeps the houses in good shape.

RESALE OF FORECLOSURE PROPERTY

Senator COCHRAN. In my notes in preparation for the hearing, my staff indicated one figure that caught my attention: that the Mississippi Farmers Home Administration, on resale of houses that have to be foreclosed, realizes approximately $880. Nationally, as you pointed out,

the agency is losing over $4,000 on each transaction. How do you avoid those losses that seem to be occurring in other States?

Mr. BARRETT. Well, Senator, a large percentage of our loans are made for new construction, whereas I think other States have a tendency to make more loans on existing dwellings—older homes. Generally, the condition of the houses that we have to take back in is better because of the new construction. In some ways this is related to the foreclosure. When we see that a foreclosure is inevitable, we go ahead and do it rather than letting it span out over a year or so. Then, as soon as we have possession of the house, we go in and promptly fix it up and promptly sell it to one of our many applicants who are waiting. We have found that from the time a person really loses hope and knows he's going to lose his house, until he actually loses it, the house has a tendency to deteriorate. Further, when a house is vacant, it's going to deteriorate quickly, so we try to minimize both of those problems. We also believe that we have control of our housing program to the extent that we are making necessary inspections, and we're getting a dollar's worth of value for a dollar spent in Mississippi. We are proud of that.

TARGETING FOR VERY LOW INCOME BORROWERS

Senator COCHRAN. The Congress has mandated that Farmers Home Administration funds be targeted to those most in need. I wonder how you are implementing the requirement that 40 percent of section 502 loans go to those with very low income?

Mr. BARRETT. Senator Cochran, let me say that we are excited about that program in Mississippi. We've heard some grumbling in other places that it's going to be difficult to implement simply because people with very low incomes will less likely be able to show repayment ability, which is a prerequisite for obtaining a loan. But there are so many people in Mississippi who have very low incomes, that we think it's a wonderful opportunity for us. We're going to have to work harder, and we're going to have to be more efficient, but we're going to do it.

As soon as the law was passed and we found out about it, Mr. Howell and I went to Washington and met with Farmers Home Administration housing people and got them to explain the bill to us before they had any formal training sessions, and before Christmas we felt that we understood the law.

We then came back and immediately had a meeting with our district directors and explained the law to them. We explained to them that we weren't going to have any griping or fussing about it, that it was an opportunity for us to really help people, and we are going to meet—in fact, we're going to exceed—that goal. We have our own private goal in Mississippi. We're going to do 50 percent.

I think nationwide Congress has mandated that it be an average of 40 percent, but each State will have to do a minimum of 30 percent. We're going to help those States which can't, because the need is great here. As soon as our lending season is over—and you and I have discussed that Farmers Home is speeding up our processing of farmers' program loans and we're going to be through with that by February 28 for the

first time ever in Mississippi—then we can turn our attention to housing. I have called a meeting for February 29 and March 1 for all my county supervisors, district directors, and assistant district directors. We are going to explain this program to them, explain that it can work, and explain that it will work. We are going to encourage—insist—that the county supervisors make contact with civic groups, Black organizations, such as the NAACP, and the builders and contractors. We are going to explain the law to them and get them to get us qualified applicants that meet these very low income criteria, and there are plenty of them out there who will be able to pay back a loan and get this decent housing. For example, since this law has been implemented, we've already started and are making 45 percent of our loans to very low income people, and we're going to do better than that.

Senator COCHRAN. I think that's an excellent record, and I commend you for the aggressive way you're going after the opportunity to use these funds to improve housing here in Mississippi. That's what it's all about.

Mr. BARRETT. Mr. Chairman, if I could say one other thing, too, concerning the fact that we will be able to get up above the 40 percent. We've been told in Washington that by helping out these other States, it's going to mean, as far as Mississippi is concerned, an almost unlimited allotment, so we're going to have more money to spend.

Senator COCHRAN. That's another thing I hate for Senator Leahy to hear. [Laughter.]

Senator LEAHY. I'm making notes on this, but I may be required to leave my notes back here.

Senator COCHRAN. I appreciate your being here this morning and helping to start off the hearing with testimony and an explanation of how we're trying to use the funds that are being allocated to Mississippi under these programs.

SECTION 502 HOUSES

Senator LEAHY. What is the current interest rate on section 502 loans?

Mr. HOWELL. Eleven and seven-eighths down to one percent, but effectively under the new law it's all going to be interest credit down to one percent.

Senator LEAHY. What are you averaging on the 502 loans?

Mr. BARRETT. Investment per house?

Senator LEAHY. Yes.

Mr. BARRETT. New house and lot, $37,000 to $38,000.

Senator LEAHY. No. What is your average, or maybe it would be better to say your median interest rate.

Mr. HOWELL. I'm not prepared to answer that. I don't know.

Senator LEAHY. Is it really probably all over the ball park?

Mr. HOWELL. If I were going to guess, I would say probably in the 5- or 5½-percent range.

Senator LEAHY. Do you have an average type of house, or is there such a thing as an average-type house? I realize this is sometimes sort of like the statistician who talks about the man with one foot in boiling water and one foot in freezing water, and on the average he was comfortable.

Mr. BARRETT. We do have an average—a typical three-bedroom, bath-and-a-half, about 1,000- to 1,100-square foot brick homes. They are well built. Farmers Home Administration has changed the face of Mississippi over the last 20 years. It's a wonderful program. These homes are built to last; people have a pride of ownership in them and take care of them. It's been as good as anything that has ever happened to the State of Mississippi, and I'm proud to be a part of it.

Senator LEAHY. Unlike some States, your emphasis is really on new construction or very recent construction?

Mr. BARRETT. Yes, sir.

SECTION 504 LOANS

Senator LEAHY. One last question. The national average for obligating 504 loans is less than 50 percent, but, as I understand from Senator Cochran's staff, you've obligated over 100 percent. How have you done that?

Mr. HOWELL. I think the best way to answer that would be good, dedicated county and district people with the leadership of my superior, Don Barrett. He is providing the kind of leadership and direction that we need, and through his leadership we are simply getting the job done.

LEADERSHIP IN MAKING PROGRAMS WORK

Senator LEAHY. Well, Don, I know how interested Senator Cochran was in getting you appointed, and I know how happy he was when you got appointed, so I'm glad to hear this. I don't mean to preach here at all, but we've put together a lot of these programs, and I think they are good programs. I think Farmers Home has some of the best housing programs there are, but ultimately they only work depending on how dedicated people are in handling it at the State level. That's the way it has to be.

Mississippi is different from Vermont, and we're both different from Montana, and on and on. But the programs are good and I have gone to various States and talked to people from various States. Some States have terrible records. When you come right down to it, it's not because the money is not there, it's not because the programs are not there, it's just because the people aren't willing to go out there and work and make them work, so I applaud you for what you've done. I can see why Senator Cochran was enthusiastic in getting you there.

Thank you very much, Mr. Chairman.

FARMERS HOME STAFFING

Senator COCHRAN. Thank you, Senator. We've come to a point in time, this next month and March, when we're going to be reviewing the budget request of the administration for housing programs and all the other activities of the Department of Agriculture and related agencies, and there will be money requested to pay for staffing county offices and State offices. What is the situation here in Mississippi in terms of adequate staffing of the offices to handle the paperwork and to get the job done?

Mr. BARRETT. Senator Cochran, we're going to get the job done, I promise you that. We're getting it done now by having people work on Saturdays, going to the office early and staying late, and we'll continue to do that. The Farmers Home Administration in Mississippi alone is a $3.3 billion bank, so to speak, and we're basically staffed the way we were 20 years ago. We've added a few folks, and to me it would be cost efficient and would save the Government money if we had more people to be able to devote more time. For example, we have a county supervisor who has, say, 400 farmers he has to look after and has to do these certain supervisory tasks. There are only so many hours in a day. Even if he works 20 hours a day, what he has to do is just be very efficient and do the best he can and go on to the next case.

The Federal Government has made this big investment, and we hope that you're going to continue to invest in us in Mississippi, but it seems to me penny-wise and pound-foolish not to give us personnel to adequately perform the servicing tasks for this great amount of money. We have approximately 500 employees. We could keep those 500 employees busy just in our farmers' program, which is a billion and a half dollars, or just in our housing program, which is over a billion dollars. I'll say this: that's a decision that needs to be made somewhere else. You know, y'all are wiser than we are.

Senator COCHRAN. Do you get asked questions like that by persons who are in the Farmers Home Administration hierarchy in Washington? Do they ask you, for instance, what you would like to have or what you think you need in terms of staff members per county office, or do they sit up there in Washington and try to guess at it? I'm not asking you to tell on them. I just want to know what the procedure is for developing the budget requests that we get from the Department of Agriculture and the Farmers Home Administration.

Mr. BARRETT. Well, let me cop out—I've only been there since August, and they haven't asked me yet, but we're going to do the best job we can with what we've got.

Senator COCHRAN. Thank you very much. I appreciate your testimony. It has really been very helpful to the subcommittee, and I appreciate your being here.

STATEMENT OF DR. AARON HENRY, CHAIRMAN, NATIONAL BOARD OF DIRECTORS OF RURAL AMERICA

Senator COCHRAN. Our next witness is Dr. Aaron Henry, and I might ask also for Isaac Riley, president of the Mississippi Homebuilders Association, to come around at the same time. If we can have both of you present any statement that you have, and then we will have a chance to have a discussion.

Dr. Henry, thank you very much for being here. Why don't you sit right here. Welcome to the committee. We have a copy of your statement, Dr. Henry, which we will include in the record in full at the conclusion of your oral testimony.

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STATEMENT OF DR. AARON HENRY

Dr. HENRY. Senator Cochran, Senator Leahy, and citizens present; in particular, you who are interested in the senatorial committee that is committed to the well-being of those of us who live outside the metropolitan areas of the United States of America.

Pat, you just might be in a little bit of trouble when you call Greenville the country—this is the biggest town in the Delta.

Senator LEAHY. I see. What is the population here?

Dr. HENRY. 55,000 or 60,000, something like that.

Senator LEAHY. Well, the largest community in Vermont has 38,000 people. I have a little old nonworking farm in a town that's had, say, 800 people for most of the last century. I was born in our capital city, which had 8,500 people in 1940 when I was born and still has 8,500 people. I think it's probably the same 8,500 people.

Dr. HENRY. For the benefit of all present, my name is Aaron Henry. I serve as a member of the Mississippi State Legislature; I chair the Mississippi State Conference of the NAACP.

I was invited here today, and I am privileged to be here as chairman of the national movement known as Rural America, which has its focus on the activities and well-being of people who live in rural America. We deal generally in rural transportation, rural education, rural elderly, rural nutrition, rural housing, rural health, rural economics, rural politics, and rural employment. Our focus today, however, is basically on rural housing; specifically, I would like to get into rural worker housing.

Under President John Fitzgerald Kennedy, it was my privilege to serve on the U.S. Agriculture Oversight Committee. That committee was put into focus by Governor Orville Freeman, who at that time was Secretary of Agriculture, but was previously Governor of Minnesota, and most of my interest in this committee was directed toward the Farmers Home Administration. So I've had somewhat of a romantic relationship with Farmers Home since around 1960, which is around 23 years, which does give you a kind of entry and relationship with the overall Agriculture Department, both on the National and State level.

I have constant access to the Farmers Home Administration, both on the National and State level. Don Barrett, Mr. Howell, and I exchange ideas often.

Just let me say here, too, Don and Senator Cochran, we in the NAACP keep a sort of long list of activities of things that people commit themselves to do or don't do, and after Don was nominated to the post in Mississippi, our first impression was to vigorously oppose him. Of course, we talked this over with several persons who had known him since we had had the initial problem that involved him. As a college student and then as he grew into a man, people like Robert Clark and other citizens of Holmes County took a very strong position that there were two Don Barretts, and the other one ought not to count now.

I'm very proud that we took that position, because it has been my good fortune to work harmoniously with Don Barrett and, of course, with Lester Howell, in many of the problems that have affected us in

the State and have tried to overcome some of the difficulties that face us.

Likewise, with access to the Farmers Home Administration on the Washington level, communications from that Department require that I often ask several questions generally about Farmers Home Administration, and particularly about the affirmative action stance of the Farmers Home Administration.

LOANS TO THE WEALTHY

Information that has come to me indicates—and you will see a chart which is the second page of my statement, regarding houses built—for the 1982 fiscal year there were 3,109 starts for $77,336,000. In 1983 it moved to 3,922 for $111,341,000. The chart also deals with the unpaid balances there.

When the Gannett News Agency made its disclosure about the number of loans that had been made to wealthy farmers in Mississippi and the amounts of these loans, you can imagine the turmoil in the small farmer community who had not been able to get any money at all. Here were people getting $600,000 and $700,000 and paying none of it back. Of course, this would eat it up.

I have certainly come to understand that when we're dealing with Farmers Home, we're not necessarily dealing with the welfare department at all. But it just seems a little bit out of kilter for people who are able to make and get loans from the various lending institutions in the area, for that same person to be able to gobble up the money from Farmers Home, which is the only money available for many of the small farmers in the area who don't have the proper collateral.

AFFIRMATIVE ACTION

On page 3 of my statement I have raised a question, and I'm not satisfied with the answer. It deals with my affirmative action pact. Up to September 30, 1983, we made 185 loans in labor housing; 183 to Whites and only 2 to Blacks. Of course, I get the answer that that's because the white guys own the land and they are the ones who are able to borrow money to continue to build houses.

Also, in the rural rental housing area, the affirmative action negative is just as bad. We did 48 homes; 43 to Whites and 5 to Blacks.

I would hope that before you leave you get a better explanation than I have at this particular point as to why that comes about. I have talked about it, and it's my understanding at this time that it's a question of applications for and who has the ability to build labor housing and rural rental housing. I just can't imagine Blacks being out of the farming market to that extent. But we might well be, and I will certainly accept the answer that is secured from whomever the proper source is.

Now, of course, rural housing is a different picture altogether, which certainly looks much more affordable, in that there were 31,295—53.97 percent—for Whites and 26,611—45.89 percent—for Blacks. You see, it just happens that white folks got to get the edge everytime—they got to get that little bit. [Laughter.]

Senator COCHRAN. There are more of us. [Laughter.]

Dr. HENRY. No, no; not down here.

Senator LEAHY. You should see the percentage in Vermont.

Dr. HENRY. But this is where we are, down here in the Mississippi Delta.

EFFECT OF $1 BILLION IN HOUSING LOANS

Now, a dissertation on how to lick the recession, which I would like to share with you. As you probably know, I also chair the organization known as the Rural Housing Alliance.

In January of this year we put together a dissertation on how to lick the recession, and in that dissertation we took the position that 50,000 man-years of employment for carpenters, plumbers, electricians, bricklayers, and other workers in the rural housing construction industry can be provided by a $1 billion increase in Farmers Home ownership loan program.

Now, how do we come up with this startling set of statistics? Simple arithmetic. New houses financed by Farmers Home Administration are averaging now around $35,000 or $36,000. At that time of our economy we were in the area of something like $29,000 to $30,000. So a $1 billion increase in loan funds could produce 34,000 homes.

As for the man-years, former Farmers Home Administrator James Smith testified that the construction of each new house created 1.7 man-years of employment, on-site and off-site, and when you multiply that by 29,400 you get 50,000 man-years of employment. So that's at least a way to begin to deal with the economic depression that has befallen us, particularly here in Mississippi.

Regardless of what the national news media says about the economy improving, et cetera, when the rest of the country has a cold. I guess Mississippi has pneumonia, because it's that much more difficult down here for us to overcome the practical situations of downfall.

The overall impact would spread far beyond the men hired to manufacture the construction materials and build the houses. John Baker, when he was an assistant secretary of USDA, used to argue that rural housing dollars have a fivefold impact. For example, the carpenter uses his earnings to pay the grocery bill; the grocer uses his earnings to pay the dentist, and so on. Under this theory, the $1 billion extended in credit would give an economic lift of $5 billion to rural America.

The Farmers Home Administration could not take on this extra work without a sizable increase in staffing, but staffing in itself would create more jobs, and all this economic support would be in addition to the benefits decent housing would bring to 29,400 families now living in shacks.

FISCAL YEAR 1985 BUDGET REQUEST

I'm troubled by the fiscal year 1985 budget projections that would cut the fiscal year 1984 figure of $3.3 billion to $2.3 billion. I think Pat Leahy made reference to that earlier. This nonconsciousness and nonempathy for those of us living outside the metro pollyanna is a cruel hoax.

I urge you, Senators Cochran and Leahy, to both help reverse this budget cut which will wreak havoc with housing in rural America.

FMHA LITERATURE

Recently I received some of the Farmers Home literature from Washington, D.C., several pieces of material that I recommend that you make available to the citizens of rural America. There are several small pamphlets that I found helped tremendously. They are titled "Self-Help Housing Loans," "Home Improvement Loans and Repair Loans and Grants," "Home Ownership Loans," "Rural Rental Housing," and "Technical Assistance for Self-Help Housing." I would like to make these a part of the record as an enclosure.

Senator COCHRAN. They will be made a part of the record, and we appreciate your bringing them to the attention of the subcommittee.

[The information follows:]

SELF-HELP HOUSING LOANS

The Farmers Home Administration makes loans for self-help housing including site development, and grants for technical assistance to help low-income families build homes in rural areas. Rural areas include open country and communities which are rural in character and not closely associated with urban areas.

Each person or group applying for credit must get equal consideration without regard to race, color, creed, sex, marital status, or national origin.

What is self-help housing?

Individual houses are built under supervision by a group of families who will live in the dwellings. In short, it is a group mutually helping each other with the guidance of a construction expert.

Who may borrow?

Any small group of low-income families may qualify providing they cannot individually afford to build modest houses by customary methods. Each family must be able to repay a loan for the cash cost of the house.

Where does one apply?

Loan applications are accepted by Farmers Home Administration on an individual basis from each family participating in a self-help housing program. Loan applications are filed in the Farmers Home Administration county office serving the area where the housing will be located.

How may loan funds be used?

Loans are used to buy material, and to pay for any skilled labor and contract costs for work the families are unable to perform. If necessary, loans may be used to buy building sites and to prepare them for construction activity.

How is a group formed?

Find 6 to 10 families in your area interested in self-help housing who cannot afford to obtain a modest house by customary methods.

Tell the Farmers Home Administration county supervisor of your desire to take part in the self-help housing program. He will tell you what steps to take.

What must self-help members do?

Members must agree:

- To work as a group under the guidance of a construction supervisor.
- To work the required hours necessary to complete the house.
- To attend all preconstruction meetings.
- To build only modest adequate housing.
- To build their houses in the same community.
- To carry out all responsibilities of home ownership, after housing is completed.

What will FmHA do?

Farmers Home Administration will:

- Determine the eligibility of each participating family.
- Advise the participating families of assistance from other Federal or public organizations.
- Conduct preconstruction meetings that will include basic instructions in construction, familiarization with the self-help approach, and discussion of planning, construction, and maintenance of a house.
- Make loans to eligible nonprofit organizations to develop home sites to be sold to applicants on a nonprofit basis.
- Make technical assistance grants to qualified organizations to pay for technical assistance and construction supervisor.
- Hire a construction supervisor, if necessary.

How will planning and building be performed?

- Plans for modest but adequate housing will be selected and specifications developed.
- Construction will involve as much on-site work as practicable.
- Basic plans and construction methods will be standardized as much as possible.
- Materials may be purchased on a group basis.
- Group will decide how members will share labor, how records will be kept of time worked, and how labor will be exchanged on a basis fair to all members.
- Depending on skills of participants, group may decide to do all the construction, or contract for work that cannot be done easily, such as excavating, installation of wiring or plumbing, and dry wall finishing.
- Construction will start only after the loan has been closed.
- Construction of houses will be done in stages. Each stage of construction will be finished, if practical, on all houses before starting the next stage.
- The construction supervisor, with advice of the group's president, will divide the group into teams on the basis of skills, compatibility, and availability.
- Construction changes cannot be made without prior approval of the Farmers Home Administration county supervisor.
- Families will move into the new homes only after construction of all houses has been completed.

What agreements are signed?

Each family will sign a promissory note as evidence of a desire to participate in the self-help housing program and to furnish the required labor to complete the house.

A membership agreement, which will outline the operation of the project, also will be signed by each family.

Who may receive technical assistance grants?

A public body or a public or private nonprofit corporation with the legal, administrative, and technical capacity to provide supervisory assistance to help low-income families build homes in rural areas by the self-help method may qualify. An applicant organization must show that:

- A need clearly exists in the area for self-help housing.
- Personnel can be hired to successfully carry out a technical assistance program.
- Funds are not available from other sources to provide these services.

If the applicant is a nonprofit corporation, it must also have either:

- Successful experience in the field of self-help housing; or
- A sponsoring organization with this experience or with proven ability in related business fields.

How may funds be used?

Organizations may use technical assistance funds:

- To hire the personnel to carry out a program of technical assistance for self-help housing.
- To pay necessary and reasonable office and administrative expenses.
- To make essential equipment such as power tools available to families participating in self-help housing construction.
- To pay fees for training self-help group members in construction techniques or for other needed professional services.

An initial agreement with an organization usually will provide for not more than $100,000. The amount will be based on estimates of reasonable technical assistance costs per house as determined by Farmers Home Administration. Agreements may be made for up to 2 years. The group must provide the Farmers Home Administration with monthly financial and construction progress reports.

Funds may not be used for:

- Hiring personnel to perform actual construction work for families participating in a self-help project.
- Buying real estate, building materials or other property for participating families.

What other financial aid does Farmers Home Administration provide?

The agency offers financial assistance for home ownership, rental housing, building site development, farm labor housing, and for repairing homes. Also for buying, developing and operating family farms, for water development and soil conservation, rural water and waste disposal systems and other community facilities, for developing business, industry and small watershed projects, and for emergency farm credit needs.

HOME IMPROVEMENT LOANS AND REPAIR LOANS AND GRANTS

A rural homeowner whose house needs fixing up may be eligible for a loan and/or grant from Farmers Home Administration (FmHA).

The agency makes home improvement loans to families who may not need or cannot afford a new house, but need some work done on their present house to bring it up to minimum property standards. It also makes loans as well as grants to homeowners to remove health or safety hazards from their dwellings. Grants are made only to low-income elderly homeowners, 62 years or older.

A borrower's income is the key to the type of assistance for which he is eligible.

If income is so low as to permit only removal of health and safety hazards, a *repair* loan and/or grant may be available.

For families with somewhat higher income, a *home improvement* loan may be possible to bring the house up to FmHA minimum property standards.

HOW CAN FUNDS BE USED?

The ways in which *repair loans and/or grants* and *home improvement loans* can be used are very similar, and FmHA county supervisors will help each borrower determine the type of assistance that best fits his needs and for which he is eligible.

Generally, *repair loans and grants* may be used to remove health hazards by repairing roofs, providing a sanitary water and waste disposal system that meets local health department requirements, installing screens, windows, or insulation, or taking other steps to make the home safe.

Home improvement loans may include similar purposes, but may go further by bringing the home up to minimum property standards, and making changes for the convience of the family, such as adding a room, remodeling the kitchen, or otherwise modernizing the house.

WHAT ARE THE TERMS?

FmHA county supervisors will help families determine the type of assistance that is best suited to their needs and their income.

Very low-income families can receive up to $5,000 in a loan, a combination loan and grant, or a full grant to remove health hazards. Loans up to $1,500 must be repaid within 10 years, loans between $1,500 and $2,500 within 15 years, and loans over $2,500 within 20 years. The interest rate is 1 percent.

To receive a combination loan and grant, an applicant must be 62 years or older and able to pay for only a part of the repairs.

To receive a full grant, the homeowner must be 62 years or older, and unable to pay for any repairs on the house.

Families with somewhat higher incomes can borrow up to $7,000 to improve their homes, but must bring the houses up to minimum property standards. Loans are for up to 25 years. Interest rates are based on each family's adjusted income. The interest rate will be 1 percent if the adjusted family income is less than $3,000. If the income is more than $3,000 but less than $5,000, the interest rate will be 2 percent. If income is between $5,000 and $7,000, interest will be 3 percent.

Other home improvement loans are repayable in 33 years. These loans are made at the regular interest rate, or with "interest credits," depending upon family size and income.

HOW IS ADJUSTED INCOME FIGURED?

The county supervisor will help figure it out. Adjusted income is arrived at by adding up the total income of all adult members of the family who live at home. Substract a standard deduction of 5 percent, plus $300 for each minor child. The result is about what the family's adjusted income will be. There are other factors that do not affect all families, so be sure the county supervisor helps with the final arithmetic.

WHO CAN BORROW?

If you own and live in a home on a farm, in the open country, or in towns of up to 10,000 population, you may qualify for a loan and/or grant if you cannot secure credit from regular commercial lenders. The homeowner must be 62 years or older to qualify for a grant or a combination loan and grant. This assistance is also available in some towns of 10,000 to 20,000 population. Your town may be in this category. To be sure, ask the FmHA county supervisor whether this assistance is available in your town.

WHAT SECURITY IS REQUIRED?

A real estate mortgage is required for loans of more than $2,500, and in some instances may be required for smaller loans. If the loan is under $2,500, but income is small so that repaying the loan will be difficult, someone may co-sign the loan note with the borrower.

Homeowners who receive a grant or a combination loan and grant must agree not to sell the house on which grant funds are used for up to 3 years.

WHERE DO YOU APPLY?

Go to the local county office of the Farmers Home Administration. The office address can be found in the telephone directory under "U.S. Government—Agriculture." Or write directly to the Farmers Home Administration, U.S. Department of Agriculture, Washington, D.C. 20250.

ARE THERE OTHER CONDITIONS?

Applications from eligible veterans are given preference. Veterans and nonveterans must meet the same requirements.

Each person who applies will receive equal consideration regardless of race, color, creed, sex, marital status, or national origin.

WHAT OTHER CREDIT IS AVAILABLE?

Farmers Home Administration can make loans to build homes, buy existing ones, or to build rental apartments for low-income or elderly people. FmHA also can loan money to buy or operate family farms, build water and waste disposal systems, or establish community facilities such as fire stations, clinics, or community centers. It can guarantee housing loans for moderate-income families as well as loans to help establish job-producing businesses or industries.

HOME OWNERSHIP LOANS

The Farmers Home Administration (FmHA) provides loans in rural areas to finance homes and building sites. Rural areas include open country and places with population of 10,000 or less that are rural in character and not closely associated with urban areas. Loans may be made in towns with populations between 10,000 and 20,000 that are outside of standard metropolitan statistical areas if the Secretary of Agriculture and the Secretary of Housing and Urban Development find there is a serious lack of mortgage credit.

Applications from eligible veterans are given preference. Veterans and nonveterans must meet the same requirements.

Each person who applies gets equal consideration without regard to race, color, creed, sex, marital status, or national origin.

How May Loan Funds Be Used?

Home ownership loans may be used to buy, build, improve, repair, or rehabilitate rural homes and related facilities, and to provide adequate water and waste disposal systems.

Homes may be built on individual tracts or in subdivisions. Funds may also be used to modernize homes—add bathrooms, central heating, modern kitchens, and other improvements such as driveways and foundation plantings.

Borrowers may buy an existing house and lot or buy a site on which to build a home. Under certain conditions, funds may be used to refinance debts on a home.

Who May Borrow?

Home ownership loans are offered to help families with low and moderate income. These families must:

1. *Be without decent, safe and sanitary housing.*
2. *Be unable to obtain a loan from private lenders on terms and conditions that they can reasonably be expected to meet.*
3. *Have sufficient income to pay house payments, insurance premiums and taxes and maintenance, other debts and necessary living expenses. Persons with inadequate repayment ability may obtain cosigners for the loan.*
4. *Possess the character, ability, and experience to meet loan obligations.*

Under some conditions, holders of long-term leases on farms or building sites may be eligible.

What Are the Terms?

Loans may be made for up to 100 percent of the FmHA appraised value of the site and the new home if construction inspections were made by FmHA, Veterans Administration, or Department of Housing and Urban Development. Homes over one year old and improvements to them also may be financed with 100 percent loans. The maximum repayment period is 33 years.

Is the Borrower Expected to Refinance the Loan?

Farmers Home Administration (FmHA) loans make it possible for families of low and moderate income to become owners of adequate homes. When the financial position of the family improves so that the loan can be refinanced through a commercial lender, the loan contract provides that this shall be done.

Who Determines Applicant Eligibility?

The Farmers Home Administration county supervisor usually determines the eligibility of applicants.

What About Size and Design of Homes?

Homes will be modest in size and cost but adequate to meet family needs. New homes average about 1,100 square feet of living area. Cost varies in different areas of the country.

Who Furnishes Building Plans?

Applicants or builders are expected to supply detailed building plans, specifications, and cost estimates. These may be obtained from any reliable source. The Farmers Home Administration has a limited number of plans available.

Where May Houses Be Located?

Houses will be located on desirable sites with an assured supply of safe drinking water and suitable arrangements for sewage disposal. In subdivisions, the houses will be sited in an attractive manner to avoid straight line monotony and to accent and preserve the natural advantages of topography, trees, and shrubbery. The streets, water, and waste disposal systems shall meet FmHA requirements. Funds may be included in the loan to finance lawn seeding and landscaping measures that beautify the home and make it an attractive addition to the community.

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Are Plans Reviewed and Is Construction Inspected?

Yes. The Farmers Home Administration reviews the plans and inspects the construction as it progresses.

When Can Construction Start?

When a borrower obtains a loan to build or improve his home, he must wait until the loan is closed before starting construction or incurring debts for material or labor.

What Security Is Required?

Each loan will be adequately secured to protect the Government's interest.

A loan of more than $2,500, and any loan to be repaid in more than 10 years, will be secured by a mortgage on the building site or the farm and on other property as necessary to secure the loan.

Under certain conditions, small loans may be secured by a mortgage on real estate or other suitable security.

A loan of not more than $2,500 scheduled for repayment within 10 years may be secured under certain conditions by a promissory note.

Are There Loan Fees and Other Charges?

The applicant pays for the legal services necessary to guarantee that he has a satisfactory title to the site, for credit reports, and other incidental loan closing costs. These expenses may be included in the loan.

Where Does One Apply?

Make application at the Farmers Home Administration county office serving the area in which the house or farm service buildings will be located.

Anyone unable to locate the local office may write to the Farmers Home Administration, U.S. Department of Agriculture, Washington, D.C. 20250

How Do Home Ownership Loans Aid in Rural Development?

Home ownership loans are made in keeping with the Government's goal to provide decent homes in suitable environments for American families. Rural housing loans help create the kind of communities that encourage people to live in rural areas. They help check the flow of rural people to urban areas and encourage urban families to live in the countryside.

The program raises living standards, creates a healthy environment for family life, and make rural communities attractive locations for the development and expansion of industries.

Home ownership loans stimulate economic activity in rural communities by increasing sales of building materials and home furnishings and providing jobs for construction workers.

Is There Other Housing Credit?

The Farmers Home Administration also offers:

1. *Loans to build rental or cooperatively owned housing for the elderly and low- and moderate-income families.*
2. *Building site loans to local nonprofit organizations to buy, develop, and sell home sites on a nonprofit basis to applicants eligible for home ownership loan assistance.*
3. *Self-help housing loans to groups of low-income rural families who work together on the construction of their homes to reduce the cash cost. Public and private nonprofit organizations may obtain grants to provide technical assistance to such groups.*
4. *Loans to owner-occupants with low or moderate income to make minor repairs or home improvements.*

What Other Loans Does Farmers Home Administration Make?

The agency makes loans for buying, developing, and operating family farms, water development and soil conservation, rural water and waste disposal systems, developing small watershed projects, farm credit to reimburse for loss from natural disaster, and for development of rural business and industry.

RURAL RENTAL HOUSING

Loans for rental housing in rural areas are available from Farmers Home Administration (FmHA) to provide living units for persons with low and moderate incomes and for those age 62 and older. Loans may be made for housing in open country and communities up to 20,000 people, but applicants in towns of 10,000 to 20,000 should check with their local FmHA office to see whether the agency can serve them.

How may loan funds be used?

Loans are primarily made to build, purchase or repair apartment-style housing, usually consisting of duplexes, garden-type, or similar multi-unit dwellings. The housing must be modest in size, design, and cost, but adequate to meet the tenant's needs.

Funds may also be used to:

- buy and improve the land on which the buildings are to be located;
- provide streets and water and waste disposal systems;
- supply appropriate recreation and service facilities;
- install laundry facilities and equipment;
- landscape, including lawn seeding, shrubbery and tree planting, or other measures to make the housing an attractive addition to the community.

Funds may *not* be used for nursing, special care or other institutional types of housing.

Who may borrow?

Eligibility of applicants will be determined by Farmers Home Administration. Borrowers should have the ability and experience to operate and manage a rental housing project successfully.

Rental housing loans can be made to individuals, trusts, associations, partnerships; limited-partnerships, State or local public agencies, consumer cooperatives, and profit and nonprofit corporations. Nonprofit corporations may be organized on a regional or multi-county basis.

Borrowers must agree to provide rental units for occupancy by eligible individuals or families. They must be unable to finance the housing with personal resources and, with the exception of State or local public agencies, be unable to obtain credit from other sources on conditions and terms which would permit them to rent units to eligible families. If the borrower is a profit or limited-profit organization, the assets of the individual members will be considered in determining whether other credit is available.

FmHA will deal only with the applicant or his authorized representative. In the case of a nonprofit applicant, the representative must have no pecuniary interest in the housing site, the award of contracts, or purchase of equipment.

Does FmHA limit the borrower's profit?

In cases, rent charges must be within limits that eligible occupants can afford to pay. Borrowers are required to deposit rental income in special accounts and establish reserve funds to meet long-term capital replacement needs. Limited-profit borrowers are allowed an 8 percent return on their initial investment in a project.

Who may occupy the housing?

The housing is for families and individuals with low and moderate incomes, and for senior citizens age 62 or over. The maximum income level for occupancy will be established by the Farmers Home Administration.

What are the terms?

The maximum repayment period is 50 years for projects designed for senior citizens and 40 years for all other projects. All applicants are required to provide initial operating capital equal to at least 2 percent of the cost of the project. For nonprofit organizations and State and local public agencies, the 2 percent operating capital may be included in the loan as part of the development cost.

Loans to nonprofit organizations and State or local public agencies can be up to 100 percent of the appraisal value or development cost, whichever is less. Loans to all other applicants are limited to not more than 95 percent of the appraisal value or development cost, whichever is less. Loans for the purchase of buildings less than 1 year old will, however, be limited to 80 percent of the appraised value.

Is the borrower expected to refinance the loan?

When the financial position of the borrower reaches the point that he can repay or refinance through a commercial lender, the loan contract provides that he shall do so.

How will planning and construction be performed?

Before a loan can be approved, applicants must provide detailed plans, specifications, and cost estimates. The applicant must provide complete architectural services, including inspections during construction. The Farmers Home Administaration will review the plans and inspect the construction as it progresses.

A borrower who is a builder and capable of building his own project may obtain a loan under

the same conditions as any other applicant. The builder-applicant may be permitted a contractor's fee which is typical for the area.

All borrowers are encouraged to obtain interim construction funds from local lenders. A borrower must show that local construction funds are not available before FmHA will provide such funds.

What are the construction standards?

All project development work such as buildings, streets, water, waste disposal, heating, and electrical systems must fully conform with applicable laws, ordinances, codes, regulations, and Farmers Home Administration requirements.

When can construction be started?

The borrower must wait until the loan is closed and authorization given by Farmers Home Administration to start construction. If interim construction financing is to be used, construction will start only after the loan is approved and funds obligated.

Where may housing be located?

The housing will be located on desirable sites in a residential area that is easily accessible to community services and amenities, with an assured supply of safe drinking water and suitable arrangements for waste disposal approved by FmHA. Housing will be arranged on the site in an attractive manner to accent and preserve the advantages of natural topography, trees, and shrubbery.

What information is needed?

The local county supervisor of the Farmers Home Administration will provide information on how to complete and file applications. Applicants must furnish:

- complete financial information,
- preliminary plans, specifications, and cost estimates,
- a budget of anticipated income and expenses,
- survey information supporting the need for housing in the area.

Applicants may secure application forms and other sample FmHA forms for completing budgets and market surveys.

What about loan applicant fees and other charges?

Fees are not charged for appraisals or loan processing. However, the applicant pays for legal services necessary to guarantee that he has a satisfactory title to the site and for other incidental loan closing costs. These expenses may be included in the loan.

What security is required?

Each loan will be secured in a manner that adequately protects the financial interest of the Government. A first mortgage will be taken on the property purchased or improved with the loan except for public or quasi-public organizations that cannot give a real estate mortgage. In those instances the security will be determined by Farmers Home Administration.

How do these loans aid in rural development?

Rental housing loans are made through the Farmers Home Administration to help provide decent homes in suitable living environments. Good rental units give a balanced housing program to a rural community and make it a more desirable place to live. An adequate supply of quality housing helps check the flow of rural people to urban areas by encouraging families to live in rural communities.

The program raises living standards, creates a healthy environment for family life, and makes rural communities attractive locations for development and expansion of industries.

Rental housing loans stimulate economic activity in rural communities by increasing sales of building materials and home furnishings and by providing jobs for construction workers.

Where can you apply?

Applications should be made at the Farmers Home Administration county office serving the area in which the housing will be located.

Those unable to locate the local office should write to the Farmers Home Administration, U.S. Department of Agriculture, Washington, D.C. 20250.

Each person or group applying for credit must be given equal consideration without regard to race, color, creed, sex, marital status, or national origin.

Is other financial aid available for housing?

The Farmers Home Administration also offers:

1. Home ownership loans to help families with low and moderate incomes finance homes and building sites.
2. Building site loans to public and nonprofit organizations to buy, develop, and sell home sites on a nonprofit basis to applicants eligible for home ownership loan assistance or for nonprofit rural rental housing projects.
3. Self-help housing loans to groups of low-income rural families who work together on the construction of their homes to reduce the cash cost. Public and private nonprofit organizations may obtain grants to provide technical assistance to such groups.
4. Repair loans for families with low or moderate income who wish to improve their living facilities.

TECHNICAL ASSISTANCE FOR SELF-HELP HOUSING

The Farmers Home Administration (FmHA), an agency of the U.S. Department of Agriculture, provides qualified public and private nonprofit organizations with financing for effective programs of technical and supervisory assistance to help low-income families build homes in rural areas by the self-help method. This is the only means for many low-income households to obtain safe, sound, sanitary housing.

Who May Receive Assistance?

A public body or a public or private nonprofit corporation with the legal, administrative, and technical capacity to carry out the objectives of the program may qualify. An applicant organization must show that:

- A need clearly exists in the area for self-help housing.
- Qualified personnel can be hired to carry out the objectives of a technical assistance program.
- Funds are not available from other sources to provide these services.

If the applicant is a nonprofit corporation, it must also have either:

- Successful experience in the field of self-help housing; or
- A sponsoring organization with this experience or with proven ability in related business fields.

How May Funds Be Used?

Organizations may use technical assistance funds:

- To hire the personnel to carry out a program of technical assistance for self-help housing.
- To pay necessary and reasonable office and administrative expenses.
- To make essential equipment, such as power tools, available to families participating in self-help housing construction.
- To pay fees for training self-help group members in construction techniques.

Are There Limitations on Fund Use?

Yes. Funds may not be used for:

- Hiring personnel to perform actual construction work for families
- Buying real estate, building materials, or other property for participating families.

Under What Conditions Is Assistance Available?

The applicant organization must show that self-help housing clearly is needed in the area where it proposes to supply assistance, and that services and equipment to be paid for with technical assistance funds cannot be financed through any other source.

An agreement between FmHA and a recipient organization may cover assistance to be rendered by the organization for up to 2 years.

The organization must keep records and provide FmHA with monthly financial and quarterly progress reports.

Where Are Applications Made?

Application should be made at FmHA district offices. The office staff will explain the services available for the agency and help organizations complete their applications.

All applications are considered without regard to the race, color, creed, or national origin of the applicants, and service must be extended on this same basis.

Is There Other Assistance For Self-Help Housing?

The FmHA makes rural housing loans so individual families may construct their homes by the self-help method.

Loans also are made to public and private nonprofit organizations to develop building sites for sale to families participating in self-help housing projects. Information on these programs is available from district offices of FmHA.

CLOSING STATEMENT

Dr. HENRY. Finally, I would like to take this time to say thank you, Senator Cochran, for your senatorial and legislative support of efforts pertaining to rural America. The legislation that you have cosponsored with Senator Alan Cranston has been of great benefit in keeping programs that benefit rural America going. I want to thank you personally for the assistance that you have given to me as I often find myself in the halls of the U.S. Congress trying to convince you and others on several points of view. Your personal assistance has helped me over many very difficult and delicate situations.

I know that sometimes as I confront you with problems of the NAACP, the Rural Housing Alliance, the National Black Veterans Organization, National Caucus and Center for the Black Aged, and the Federal Council on the Aging, you, perhaps, get the feeling that I am a pessimist. But truthfully speaking, I am indeed an optimist with a feeling that this is really a great time to be alive. You see, there are still hidden treasures undiscovered; there are songs yet to be written and books yet to be printed. There are inventions yet to be created, reservoirs yet untapped; there are seas still unexplored, skies yet unpenetrated, and highways where men's feet have never trod. There are mountains never scaled, diseases still unconquered, problems still unsolved, knowledge that still mystifies, and a God yet to be fully understood.

QUARTERLY ALLOTMENTS FOR HOUSING LOANS

Finally, I would like to make three points: The procedures of making quarterly allotments for rural housing is most difficult to manage. The money flow must be constant; the quarterly draws just don't work. It puts the office of Farmers Home in a bind, and it puts the people out there who are trying to buy the homes in a bind. When you have both sectors of folk in a bind, they stay mad at each other all the time and can't nothing either one do to satisfy the other in that temperment.

NEED FOR MORE MONEY

Mississippi has about 7,500 applications on file today for housing. This points out the great need for more money. Now, I don't know where you're going to find it, but you know I'm going to be worrying you until you get it.

There is need in Tunica County and in Quitman County, at least for a couple of hundred deep subsidy rental housing plans. Some States, I'm sure, are turning back money; sometimes there's money left over in other budgets, and I've just seen you find money where other folks thought it wasn't no money before. I would like to have the privilege of getting you and the chairman of the housing project, the housing committee, of the NAACP together—that's Benny Gooden whom you already know—and see if there's any way we can work with the people of the areas of Quitman and Tunica Counties to try to resolve these problems. The housing shortage is acute; it's bad; it's probably among the worst situations that we have yet to solve in this State.

SUBSIDY NEEDED

Housing requiring at least 1 percent interest payback has to yield to subsidy. When you're talking about $150 to $200 monthly payment in rent, people ain't got it. Do we have a responsibility to house people who don't have the ability or the assets to pay the kind of rent that we're asking or to pay the kind of house notes that we're asking? The $150 to $200 a month payout, sometimes with $85 to $90 a week coming in, we just can't cut that. Too many people cannot afford the repayment without greater subsidy. I would hope that certainly in these areas, which I think are futuristic things that we must do, that you will direct your most severe attention toward trying to find some solutions to them.

I want to thank you again for listening to me and hearing me tell you again how to run the country.

PREPARED STATEMENT

Senator COCHRAN. Thank you, Dr. Henry. I believe your prepared statement has been turned over to our staff and, without objection, will be inserted at this point to become a part of the hearing record.

[The statement follows:]

STATEMENT OF AARON E. HENRY, CHAIRMAN, NATIONAL BOARD OF DIRECTORS OF RURAL AMERICA

Senator Thad Cochran and members of this U. S. Senatorial Committee, committed to the well being of those of us who dwell outside of the metropolitian areas of the United States of America. My name is Aaron E. Henry, a member of the Mississippi State Legislature, President of the Miss. State Conference of the N. A. A. C. P; invited here as it is my privilege to serve also as Chairman of the National Board of Directors of Rural America an organization that concentrates on Rural Life generally, Rural Transportation, Rural Education, Rural Elderly, Rural Nutrition, Rural Housing, Rural Health, Rural Economics, Rural Politics, and Rural Employment.

Our focus today will be on Rural Housing, specifically Rural Farm Worker Housing. Under President John Fitzgerald Kennedy, I was privileged to serve on a U. S. Agricultural Oversight Committee. Much of my interest on this committee was directed toward the Farmers Home Administration. I became convinced that the Farmers Home Administration had the responsibility making life liveable for those of us who lived outside of Metropolitian America. I have constant access to the Farmers Home Administration both on the National and State Level. Don Barrett and Lester Howell and I exchange ideas often. My communications from the the U. S. Department of Education require that I ask several questions generlly about Farmers Home Administration and particularly about the affirmation action stance of the Farmers Home Administration. The information that has come to me indicates:

30-642 O—84——5

MISSISSIPPI

CONGRESSIONAL SUMMARY OF FARMERS HOME ADMINISTRATION
RURAL HOUSING PROGRAM

Mississippi

	1982 Fiscal Year		1983 Fiscal Year		Unpaid Principal as of 9-30-83	
	Loans or Grants	Amount (000)	Loans or Grants	Amount (000)	Loans	Amount (000)
Individual Rural Housing Loans (RH 502/504)	3,109	77,336	3,922	111,341	63,597	914,378
Individual Rural Housing Grants (RH 504)	220	659	306	1,026		
Rural Rental Loans	30	22,477	59	50,018	352	142,426
Labor Housing Loans	17	851	13	587	273	14,509
Homesite Development Loans					3	149
Self-Help Technical Assistance Grants	2	213				
Total	3,378	101,536	4,300	162,972	64,225	1,071,462

CASELOAD REPORT
September 30, 1983

	White	Black	Other	Indian	Total
Labor Housing	183	2	0	0	185
Rural Rental Housing	43	5	0	0	48
Rural Housing	31,295 (53.97%)	26,611 (45.89%)	31	42	57,979

1st 3 MONTHS OF FY 1984

448 Loans = 100%

221 to White = 49.33%

225 to Black = 50.22%

2 to Other = .45%

Source: Form FmHA 389-37-F
Report Code 691

A dissitation on HOW TO LICK THE RECESSION which I would like to share with you. Approximately 50,000 man-years of employment for carpenters, plumbers, electricians, brick-layers and other workers in the rural housing construction industry can be provided by a $1 billion increase in FmHA'S homeownership loan program. How do we come up with this startling set of statistics? Simple arithmetic. New houses financed by FmHA are averaging around 29,400. So a $1 billion increase in loan funds could produce 34,000 homes. As for the man-years, former FmHA Administrator James Smith testified that the construction of each new house created 1.7 man-years of employment (on-site and off-site) and when you multiply that by 29,400 you get 50,000 man-years.

The overall impact would spread far beyond the men hired to manufacture the construction materials and build the houses. John Baker, when he was an assistant secretary at USDA, used to argue that rural housing dollars have a five-fold impact. For example, the carpenter uses his earnings to pay his grocery bill, the grocer uses part of that money to pay the dentist, and so on. Under this theory the $1 billion extended in credit would give an economic lift of $5 billion to rural America.

FmHA could not take on this extra work without a sizeable increase in staff - but that, in itself, would create more jobs. And all this economic support would be in addition to the benefits decent housing would bring to 29,400 families now living in shacks.

As you probably know I also chair the organzation Rural Housing Alliance, in January of this year we put together a dissitation on How to Lick the Recession which I would like to share with you.

I am troubled by the FY 85 budget projections that would cut the FY 84 figures of 3.3 billion to 2.3 billion in FY 85. This non conscienousness and non empathy for those of us living outside of Metro-Polly-Ana is a cruel hoax. I urge you Senator Cochran to help reverse this budget cut which will wreck havoc with housing in Rural America.

Recently I have received from the Farmers Home Administration of Washington, D. C. several preces of material that I recommend that you make available to the citizens of Rural America. They are:

1. Technical assistance for Self Help Housing
2. Rural Rental Housing
3. Home Ownership Loans
4. Home Improvement Loans and Repair Loans and Grants
5. Self Help Housing Loans

I present them to you as exhibits for general distribution.

Finally, I would like to take time to say thank you to Senator Cochran for your Senatorial and Legislative support of efforts pertaining to Rural America. The Legistation that you have co-sponsored with Senator Allan Cranston has been of great benefit in keeping programs that benefit Rural Americans going. I want to thank you personally for the assistance that you have given to me as I find muself often in the halls of the U. S. Congress trying to convience you and others on several points of view. Your personal assistance has helped me over some very difficult and delicate situations. I know that to you sometimes as I confront you with problems of the N. A. A. C. P., the Rural Housing Alliance, The National Black Veterans Orgaization, National Caucus and Center for the Black Aged and the Federal Council on the Aging; you perhaps get the feeling that I am a pessimist. But truthfully speaking, I am indeed an optimist, with a feeling that this is really a great time to be alive.

THIS IS A GOOD TIME TO BE ALIVE:

STILL HIDDEN TREASURERS UNDISCOVERED,
THERE ARE SONGS YET TO BE WRITTEN.
BOOKS YET TO BE PRINTED.
THERE ARE INVENTIONS YET TO BE CREATED,
RESERVOIRS YET UNTAPPED,
THERE ARE SEAS STILL UNEXPLORED ,
SKYS YET UNPENETRATED,
AND HIGHWAYS WHERE MEN'S FEET HAVE NEVER TROD.

THERE ARE MOUNTAINS NEVER SCALED,
DISEASES STILL UNCONQURED,
PROBLEMS STILL UNSOLVED,
KNOWLEDGE THAT STILL MYSTIFIES,
AND A G O D YET TO BE FULLY UNDERSTOOD.

Fianlly I would like to make three closing points:

1. The procedures of making quarterly allociations for Rural Housing is most difficult to manage. The money flow must be constant.
2. Mississippi has about 7,500 applications on file today for Housing. This points out the great need for more money.
3. Housing requring atleast a 1% interest pay back has to yield to deeper subsidy. Too many people cannot afford the repayment without greater subsidy.

Thanks again for listening to me telling you how to run the country.

STATEMENT OF ISAAC RILEY, PRESIDENT, MISSISSIPPI HOMEBUILDERS ASSOCIATION

Senator COCHRAN. Before we get into questions of Dr. Henry, I think we would like to hear from the president of the Mississippi Homebuilders Association, Isaac Riley, whom we appreciate being with us very much. Then we will have a chance to discuss both of your statements.

Mr. RILEY. Thank you, Senator, for inviting me. I appreciate the opportunity to speak for the homebuilders of Mississippi.

GRANTS TO VERY LOW INCOME BORROWERS

Referring to some of the questions you asked in the letter you sent to me, first of all I think there is a real need for homes in the State of Mississippi. Senator, as you probably know, I was concerned when Congress mandated that 40 percent of all money go to the very low income borrowers. But after I talked to Lester, Don, and some more people I found that Farmers Home is going to use the HUD income limits, which makes it, I think, workable. We hope that this can work.

I might say there is something you might look at that I don't think would cost the Government a lot more money, and that's on these very low income people. If you would give them a grant on the front end to drop the cost of the homes to make them affordable, I don't think if you're in a subsidy you'll see the costs are very different.

MODERATE-INCOME BORROWER NEEDS

Then there is another need in the State of Mississippi as far as rural housing goes that I am really concerned about, and that is that gap from where your interest credit starts, up to about a $20,000 income; there are simply no funds available that the people can afford. This year we issued $125 million in bonds for the State of Mississippi that went for a 10.74-interest rate. It's almost taken up now, and that's the first-time homebuyer. We just don't have any funds available that people with $11,500 to $20,000 incomes can afford to buy, so they're out of the housing market. We feel like those are the people doing all the work, and they ought to be considered, maybe in your Farmers Home 502 regular loan. I don't know what you've talked about in your subsidy, but I think this is an important gap that's missing. As you know, that's part of the American heritage—to own your home, be able to maintain it, and raise your family in it. When talking about the economy in the State of Mississippi, I think you'll find, Senator, that the only homes being built in rural Mississippi are through Farmers Home financing. We are slow and could certainly use some increased funds in all phases of Farmers Home. HUD and some of the others just don't go out into the rural areas on account of the sewer problems. The average home being built in rural Mississippi right now is from 900 to 1,200 square feet and runs from $32,000 to $40,000 on the average.

MOBILE HOMES

I had rather leave the sixth question to you to discuss about the mobile homes and the different facets which I am concerned about. I'm afraid if we go to financing mobile homes for a period of 20 years, that after 2 or 3 years they will drop in value and people will let them go back. They're torn up, and I am concerned about it. As far as prefab housing, if it meets the energy standards, we have no problem.

FARMWORKER HOUSING PROGRAM

Senator COCHRAN. Thank you very much, Mr. Riley, for being here and helping us with your comments and observations about the housing programs of the Federal Government.

Dr. Henry, your statement is very helpful to the committee, and I appreciate your taking time to be here and discussing these items of mutual interest and concern. I know the legislature is in session, and you have duties there; it's hard to be in two places at once. We especially appreciate your being here for that reason, too.

Let me ask you this. You commented about this farmworker housing program and the fact that that's important here in Mississippi. Do you have any recommendations for what we could take back with us or should do with respect to improving the farmworker housing program?

Dr. HENRY. Yes, there is a proposal in Farmers Home now that's about 4 years old called "From Vicksburg to Memphis." In it we were trying to deal with the housing conditions of the farmworkers who live in that area stretching into Memphis. I think there was somewhere in the neighborhood of a 2,000-home projection.

Of course, Lester Howell is completely familiar with it. We worried him a lot about the data and the feasibility of what we were trying to do, and it really came down to his thinking that it was a novel, possible idea, but a little bit too, shall we say, innovative for Farmers Home. But Farmers Home, like everything else, catches up sometime with progress. That particular project has already been worked out thoroughly, and, of course, it's available to your committee. I will be glad to get a copy of it to you. Of course, I could ask Lester to pass it on to you while you're here.

Senator COCHRAN. We'll check into it and get a copy of it.

Dr. HENRY. That would be the most thorough way of dealing with the housing conditions of the poor of the Mississippi Delta.

AFFIRMATIVE ACTION

Senator COCHRAN. I'm concerned about the statement that you made about the fact that there are a large number of applications being granted in the farmworker housing program to Whites but only two to Black applicants. Let me ask you this: Is it your suggestion that there is being a denial of applications by the Farmers Home to persons just because they're Black?

Dr. HENRY. That would be the conception I would arrive at without additional information and clarification.

Senator COCHRAN. Let me say this: If you do have additional information that that is the case, I want to know about it.

Dr. HENRY. I think that in addition to being fair, there is a requirement for affirmative action in all of our programs. I think that at least there has not been an indication of successful affirmative action in a project that has these kinds of statistics, and they're right out of the U.S. Department of Agriculture file. So there's no question of the truth of them; it's a question of how come.

Senator COCHRAN. That's what I'm asking you; do you know?

Dr. HENRY. I do not know.

BLOCK GRANTS

Senator COCHRAN. Let me ask you this. You made a point of mentioning my efforts with Senator Cranston, and I think Pat Leahy was also a cosponsor of the bill that we introduced, which basically tried to keep a block grant housing program from being implemented. In the Senate it was sponsored by Senator Harrison Schmitt, and he didn't get reelected.

Senator LEAHY. That's true. I think that was one of the things that reminded people of back home.

Dr. HENRY. Well, Thad, you know that legislation was probably the basic structure on which rural housing was able to proceed in this country.

Senator COCHRAN. Well, I'm committed to trying to make affordable, decent housing available to as many people as possible, particularly in our State of Mississippi,. I think the testimony so far this morning indicates that the Farmers Home Administration housing programs have already done a great deal to improve housing opportunities here in Mississippi.

We want to make sure that we continue to get the maximum benefit out of that program, and that's why we're here today—to see if we can improve the program and to inquire about the funding levels. I appreciate your comments about the impact of a billion dollar cut in this program, what it will mean in terms of jobs, lost housing opportunities, and all the rest in our State. I think we need to know that, and I'll remember that. We will work to see that the maximum level of funding is approved within the constraints that we know exist on the budget. We do know that that's important and we'll pay attention to that interest, too. I appreciate your pointing that out and translating it, as you have done so well, into what this means in terms of jobs and economic benefit in Mississippi.

One-to-five ratio; that's impressive. For every $1 for housing spent in Mississippi, we can expect a $5 economic benefit to accrue; that's impressive.

Those are the only questions or comments that I have.

Senator Leahy?

Senator LEAHY. You've covered all that I had, Mr. Chairman.

Senator COCHRAN. Thank you very much for being here, Mr. Riley. We appreciate your contribution. Without objection, your formal statement will be incorporated into the hearing record at this point.

[The statement follows:]

STATEMENT OF ISAAC RILEY

The need in rural Mississippi for housing is great in all income levels. The low-income people can hardly meet their payments on energy-efficient homes even if they are paying a low-interest rate. A possible solution for low-income families would be a grant to bring down the cost and make it an affordable house. There is a great need of financing for families from $11,200 to $20,000. These are the rural working class of people and they can't afford the rate of interest today. Therefore, they are left out of the housing market.

Housing must meet the needs of today's families. Homes should be energy efficient because energy costs are getting greater each year. If we, as homebuilders, can't meet these needs, this only adds another burden to the family's monetary obligation. We think it is part of the American dream for each family to own and maintain their personal home.

The housing industry in rural Mississippi is in a very low state. Many builders in Mississippi have had to change to other professions. This is due mostly to the sagging economy. Many builders have lost their life savings and everything they have worked for. If the economy doesn't turn around soon for rural areas, all builders will be out of business.

The economy has been dramatically affected by the slow economy which resulted in housing becoming unaffordable. Several families have already lost their homes due to their loss of jobs. High interest rates is another reason people cannot afford to build homes. Therefore, builders are out of work.

The average home built in rural Mississippi for a family of four is 900 to 1,200 square feet and costs from $32,000 to $40,000. These houses consist of three bedrooms, one to two baths, family room, kitchen, and single carport.

If this is referring to prefab homes; manufactured homes that are energy efficient, then maybe. But if this is referring to mobile homes that are not energy efficient, I think it is the wrong thing to do. A home built on a good lot always increased in value for several years if properly maintained. This makes housing a good investment for rural families. On the other hand, mobile homes decrease in value each year and make a bad investment. I am concerned about financing mobile homes for a period of 20 years. After 2 to 5 years they depreciate in value and more will be owed on them than their value. Therefore, people will let them go back to the mortgage holder.

BRIEF RECESS

Senator COCHRAN. We will take a break and reconvene in about 15 minutes. We'll reconvene at 10:20.

[The subcommittee recessed at 10:05 a.m. to reconvene at 10:20 a.m.]

STATEMENTS OF:

CLANTON BEAMON, EXECUTIVE DIRECTOR, DELTA HOUSING DEVELOPMENT CORP.

LARRY FARMER, DIRECTOR FOR TRAINING AND DEVELOPMENT, MISSISSIPPI ACTION FOR COMMUNITY EDUCATION

Senator COCHRAN. We will resume our hearing. We have four other witnesses who are on our list to testify before the committee. We would like to ask Clanton Beamon, who is head of Delta Housing Development Corp., and Larry Farmer, to please come around and take your places in the witness area. Larry Farmer is with the Mississippi Action for Community Education, with offices here in Greenville.

We thank you both for being here and would ask you to proceed with any statement that you would like to make to the subcommittee, and then we'll have an opportunity to ask you a few questions about

your testimony. I would like to ask Clanton Beamon, if he would, to be our first witness in this panel.

OPENING STATEMENT OF CLANTON BEAMON

Mr. BEAMON. Thank you, Senator. Mr. Chairman, my name is Clanton Beamon, and I am executive director of Delta Housing Development Corp., of Indianola. I am also a member of the executive committee of the National Rural Housing Coalition, and since the time I wrote this, I realized that I wear a third hat, which is president of the National Farmworker Housing Directors Association. On behalf of these organizations, I am pleased to have the opportunity to appear before you today. We greatly appreciate your efforts and interest in rural housing problems and would like to acknowledge your leadership in the Congress on this important issue.

NEED FOR RURAL HOUSING

I guess we need to address the dimensions of the need. Nationally, almost 2 million rural households live in bad housing. This means that about 7 million people occupy substandard housing. In Mississippi about 78,000 households are in this category; 15.5 percent of the Nation's bad housing is in the rural areas of our State. Lack of complete plumbing is a serious problem in rural areas. Over 900,000 occupied units across the country are in this category; almost one-third, or 29,047, are located in Mississippi.

Housing for farmworkers is also a problem. The national farmworker housing survey estimates the need for over 750,000 units of housing for farmworkers. In Mississippi many of our people work in the crops part of the year and do other kinds of work the remainder of the time. They may not fit the traditional definition of farmworkers, but they are working the crops. They are mostly poor, and they do need housing.

SUCCESS OF FARMERS HOME

I would like to take a moment to acknowledge the tremendous work that Farmers Home is doing for the State of Mississippi. We are pleased to note the record of the Mississippi office of Farmers Home in obligating rural housing funds in fiscal year 1983. Not only did the State office use all the funds allocated to it, it was able to use money not used by other States. This pooled money is important to Mississippians who need housing, and the Farmers Home State staff is to be saluted.

At the same time, we are disappointed in the national performance of Farmers Home. Only 90 percent of all funds were obligated. It's hard to believe that there was not demand for the subsidized loan and grant funds available.

HOUSING FOR LOW-INCOME RURAL PEOPLE

Sections 502 and 515 of the Housing Act were designed to provide housing for low-income rural people. However, since their enactment in 1968, inflation and increased energy costs have made the cost of these

programs beyond the reach of the poor. For example, the section 515 rural rental housing program was established to provide low-income and elderly households with decent rental housing. However, because of increased operating costs, most households with incomes of less than $9,500 cannot afford rents without additional assistance from the Farmers Home rental assistance program.

The section 502 program was designed to provide low-income families with the opportunity for home ownership; yet, in 1982 only 15 percent of the units went to low-income households and the average income for the program was over $10,000 balance. The cost of these programs is prohibitive to people in Mississippi.

According to the 1979 U.S. census income and poverty status report, the median income in our State is about $12,500, and almost 350,000 households have incomes below $10,000 per year. With such incomes, it is hard to see how our State can meet the requirements of the recently passed housing bill. At least 30 percent of the section 502 units in a State and 40 percent nationally must go to very low income households—that is, households with income up to 50 percent of the median income. For Mississippi that figure is bound to be less than $7,000.

FARMERS HOME FORECLOSURE PROPERTY

We are also concerned with the Farmers Home policy regarding foreclosures. Nationally, over 10,000 units have been put into inventory through this process. This means that people have lost their homes and Farmers Home has lost money. In order to reduce the inventory, Farmers Home has auctioned off units to private individuals. Nationally, through the first 11 months of 1983, over $80 million had been lost, and the loss is the difference between Farmers Home investment in units and the selling price through auction.

I recognize the record is better in Mississippi, but this is a national problem. With long waiting lines for Farmers Home housing loans, shouldn't these units be recycled and continued as part of our Federal housing stock? Shouldn't Farmers Home be working with delinquent families to help them keep their homes? Shouldn't Farmers Home devise a better way to deal with this problem than auctioning units at a tremendous loss to the taxpayer?

FUNDING RECOMMENDATIONS

I would like to make some recommendations to you, Senator Cochran. We would like to make recommendations for you as you deliberate on the fiscal year 1985 appropriations bill for rural housing. We recognize the tremendous pressure on Federal expenditures; however, it is important that we improve our record in providing housing for low-income Mississippians and Americans.

Of particular interest to us are appropriations. We are asking for $100 million for the housing preservation grants. Section 533 of the Housing Urban Rural Act of 1983 creates a new program of home repair for low and very low income people. Over 1 million occupied rural units have inadequate plumbing, and Farmers Home's record of obligating funds

for such purposes under section 504 is very poor. Preservation grants administered by private nonprofit and public bodies offers a solution to this problem.

We are also asking that you consider $270 million for the rental assistance program. The new housing legislation requires that virtually all RAP funds go to very low income families. Research has shown that the tandem combination of 515 and RAP compares favorably to other similar subsidy programs including section 8–202. Section 505 rental assistance program costs about $4,600-plus per unit per year; section 8–202 costs $6,800 per unit per year. An appropriation of $270 million will provide 20,172 units with deep subsidy for very low income households, or about 75 percent of the total financed by section 515.

We are asking that you appropriate $15 million for the self-help housing technical assistance grant fund. The new housing legislation requires that at least 30 percent of section 502 within a State and 40 percent of section 502 funds nationally go to very low income households. The self-help housing technical assistance program gives eligible families the opportunity to help build their own home. On the average, self-help homes cost $10,000 less than the contractor-built houses, and the self-help borrower has an income 12.5 percent less than the other Farmers Home borrowers. In order to insure that Farmers Home meets the statutory requirements on targeting, the self-help housing technical assistance grant program should be expanded.

We are also asking for $5 million for section 525 supervisory and technical assistance. A better policy than forcing families out of their homes and selling off federally financed housing at a loss of $80 million to the Treasury is one of providing families in trouble assistance and counseling so they may stay in their homes. There is ample evidence of the need for this assistance, and an investment of $5 million for counseling may save the Government many times that of mortgage losses.

We are also asking for $40 million for farm labor housing loans and grants and the implementation of language to set aside grant funds for packaging housing developments for farmworkers. Farmworkers are the worst housed of all rural people. The National Farmworker Housing Survey indicates a need in excess of 1 million units. Despite this, Farmers Home continues not to spend funds appropriated by the Congress for this purpose. The Housing Act authorizes the use of 10 percent of grant funds for preparing applications for farm labor housing. With the difficulty in preparing applications for such developments and the outline of grant funds for this purpose, it is essential that this authority be used to increase the volume of housing for migrant and seasonal agricultural workers.

Finally, Senator, I would like to express my appreciation to you for your many favors on behalf of rural and farmworker housing. Your concern, interest, and assistance has been of tremendous benefit. We are grateful to you for the opportunity to appear before you.

PREPARED STATEMENT

Senator COCHRAN. Thank you, Mr. Beamon. We will put this entire statement into the record along with the table that you have included as an exhibit to your statement. We will hear from Mr. Farmer now and then we will have an opportunity to discuss your testimony with both of you at the same time.

[The statement follows:]

STATEMENT OF CLANTON BEAMON, EXECUTIVE DIRECTOR, DELTA HOUSING CORP., INDIANOLA, MISS.

My name is Clanton Beamon and I am executive director of Delta Housing Corporation of Indianola, Mississippi. I am also a member of the executive committee of the National Rural Housing Coalition. On behalf of both organizations, I am pleased to have the opportunity to appear before you today. We greatly appreciate your efforts and interest in rural housing problems and would like to acknowledge your leadership on the Congress in this important issue.

Dimensions of the Need

Nationally, almost 2 million rural households live in bad housing. This means that about 7 million people occupy substandard housing. In Mississippi about 78,000 households are in this category; 15.5% of the nation's bad housing is in the rural areas of our state.

Lack of complete plumbing is a serious problem in rural areas. Over 900,000 occupied units across the country are in this category. Almost 1/3, or 29,047 are located in Mississippi.

Housing for farmworkers is also a problem. The National Farmworker Housing Survey estimates the need of over 750,000 units of housing for farmworkers. In Mississippi, Many of our people work the crops part of the year and do other kinds of work the remainder of the time. They may not fit the traditional definition of farmworkers, but they are working the crops. They are mostly poor and they do need housing.

The FmHA Response

We are pleased to note the record of the Mississippi Office of Farmers Home Administration in obligating rural housing funds in Fiscal 1983. Not only did the State office use all the funds allocated to it, it was able to use money not used by other states. This "pooled" money is important to Mississippians who need housing and the FmHA state staff is to be saluted.

At the same time, we are disappointed in the national performance of FmHA. Only 90% of all funds were obligated. It's hard to

believe that there was not demand for the subsidized loan and grants funds available.

Housing for low income rural people

Section 502 and Section 515 of the Housing Act were designed to provide housing for low income rural people. However, since their enactment in 1968, inflation and increased energy costs have made the cost of these programs beyond the reach of the poor. For example, the Section 515 rural rental housing program was established to provide low income and elderly households with decent rental housing. However, because of increased operating costs most households with incomes of less than $9,500 cannot afford rents without additional assistance from the FmHA rental assistance program. The Section 502, was designed to provide low income families with the opportunity for homeownership. Yet, in 1982, only 15% of the units went to low income households and the average income for the program was over $10,000.

The cost of these programs is prohibitive to people in Mississippi. According to US Census, 1979 Income and Poverty Status report, the median income in our state is abour $12,500 and almost 350,000 households have incomes below $10,000 per year.

With such incomes, it is hard to see how our state can meet the requirements of the recently passed housing bill. At least 30% of the Section 502 units in a state and 40% nationally must go to very low income households. That is, households with income up to 50% of the median income. For Mississippi that figure is bound to be less than $7,000.

We are also concerned with the FmHA policy regarding foreclosures. Nationally over 10,000 units have been put into inventory through this process. This means that people have lost their homes and FmHA has lost money. In order to reduce the inventory, FmHA has auctioned off units to private individuals. Nationally, through the first 11 months of 1983, over $80 million had been lost. (The loss is the difference between the FmHA investment in unit and selling price through auction.)

I recognize the record is better in Mississippi, but this is a National problem. With long waiting lines for FmHA housing

loans, shouldn't these units be recycled and continued as part of our federal housing stock? Shouldn't FmHA be working with delinquent families to help them keep their house? Shouldn't FmHA divise a better way to deal with this problem than auctioning units at a tremendous loss to the tax payer?

Recommendations

Mr. Chairman, we would like to make recommendations for you as you deliberate on the Fiscal 1985 appropriations bill for rural housing. We recognize the tremendous pressure on federal expenditures. However, it is important that we improve our record in providing housing for low income Mississippians and Americans: Of particular interest to us are:

(a) Appropriations

$100 Million for the Housing Preservation Grants

Section 533 of the Housing Urban Rural Act 1983 creates a new program of home repair for low and very low income people. Over 1 million occupied rural units have inadequate plumbing and FmHA's record of obligating funds for such purposes under Section 504 is very poor. Preservation Grants, administered by private nonprofits and public bodies offers a solution to this problem. (~~see attached~~

$270 million for the Rental Assistance Program (RAP)

The new housing legislation requires that virtually all RCAP funds go to very low income families. Research has shown that the tandem conbination of Section 515 and RAP compares favorably to other similar subsidy programs including Section 8/202. Section 505/RAP costs about $4,600 plus unitd per year; Section 8/202 costs $6,800 per unit per year.

An appropriation of $270 million will provide 20,172 units with deep subsidy for very low income households, or about 75% of the total financial by Section 515.

$15 million for Self Help Housing Technical Assistance Grant Fund

The new housing legislation requires at least 30% of Section 502 within a state and 40% of Section 502 funds nationally go to very low income households. The self-Tech-

nical Assistance programs give eligible families the opportunity to help build there own home. On the average, self help homes cost $10,000 less than contractor built houses and the ~~slef~~ self help borrower has an income 12% less than other FmHA borrowers. In order to insure that FmHA meet the statutory requirements on targetting, the self help T.A. grant program should be expanded.

$5 million for Section 525 supervisory and technical assistance

A better policy than forcing families out of their homes and selling off federally financed housing at a loss of $80 million to treasury, is one of providing families in trouble assistance and counselling so they may stay in their homes. Their is ample evidence of the need for this assistance and an investment of $5 million for counselling may save the government many times that is mortgage losses.

$40 million for farmlabor housing loans and grants and the implementation of language to set aside grant funds for packaging housing developments for farmworkers

Farmworkers are the worst housed of all rural people. The National Farmworker Housing Survey indicates a need in excess of 1 million units. Despite this, FmHA continues not to spend funds appropriated by the Congress for this purpose. The Housing Act authorizes the use of 10% of grant funds for preparing applications for farm labor housing. With difficulty of preparing applications for such developments and the outline of grant funds for this purpose, it is essential that this authority be used to increase the volume of housing produce for migrant and seasonal agricultual workers.

Finally, Senator, I would like to express my appreciation to you for your many favors on behalf of rural and farmworker housing. Your concern, interest and assistance has been of tremendous benefit. We are grateful to you for the opportunity to appear before you.

Section 502 Applications, Servicing

	United Stated		Mississippi	
	FY 1983	2 months FY'84	FY 1984	2 months FY'84
Applications Received	222,477	30,431	11,115	2,046
Applications unprocessed	48,589	46,654	3,102	3,435
Applications in process	46,804	46,234	2,245	2,372
Appl. approved/not closed	16,041	9,411	1,465	660
Appl. rejected	63,757	11,080	1,689	284
Appl. w/drawn & expired	87,324	13,810	3,935	956
Appl. closed	73,635	13,553	3,289	1,087
Tot. Appl. on Hand 9/30-11/30	111,407	102,299	6,809	6,467
Conditional Committments:				
Number issued	10,288	1,298	147	12
Number on hand	5,497	4,874	46	44
Servicing:				
Transfers and Assump.	12,732	1,999	641	27
Reamortication	4,502	847	351	69
Moratoriums, Incl. exten.	13,700	2,287	847	134
Acceleration Notices (a)	15,513	2,322	1,578	212
Forclosures Completed	4,235	756	433	41
Bankruptcies w/loss of home	818	27	7	0

(a) Acceleration of the note, prior to foreclosure

OPENING STATEMENT OF LARRY FARMER

Mr. FARMER. Senator Cochran and Senator Leahy, I welcome you to Mississippi and welcome the Senator back to Greenville. We seem to bump into each other here fairly often. My name is Larry Farmer, for those of you who don't know me. I'm presently serving as director for training and development for Mississippi Action for Community Education (MACE), which is a nonprofit Greenville-based community development corporation. I guess the best and shortest description I could give you of the organization is that we started in 1966 and a large part of our purpose was to try to get people on welfare. Now we're working to try to get them off. We are trying to undo a job that we think we did fairly well in our early years.

MACE in more recent years has become more directly involved in the sponsorship, ownership, assistance, and development of what we describe as major community and economic development activities. That includes, in large part, housing. I don't think, however, we can talk about housing as an isolated problem in the Mississippi Delta. It's a little like a person being sick who lives in a raggedy house and they get pneumonia—do they have a health care problem or a housing problem? We think if you're really going to look at the problems of housing here in the Mississippi Delta, you cannot look just to Farmers Home; you cannot look just at housing as housing. You have to look at the full gambit of things that are involved.

STATE OF THE ECONOMY

I'll start my comments off by just talking a bit about the State's economy, and I'll be more particular and specific and say the regional economy. The region I'm talking about is the Mississippi Delta, which primarily constitutes MACE's service area. At best, in our way of thinking, the state of the economy in Mississippi generally, and in the Delta in particular, can be described as one of chronic illness. Some may disagree, and many do, and say that's an analogy somewhat overblown. But when you compare the activities that occurred here, and that's what many of us refer to as the period of the new South and the era of the Sun Belt boom, there were a lot of shady spots in the Sun Belt—one of those spots being right here in the Mississippi Delta.

The industrial jobs that came down from midwestern industries and northeastern industries for the most part didn't locate in the predominantly Black and rural communities of the Mississippi Delta. Simultaneously, we had many thousands of persons, the majority of whom were Black, who were displaced from plantations because of the increased cost of farming and the mechanization of farm operations. As a result we had persons moving into our growth centers—Greenville, Indianola, Cleveland, Clarksdale, and Greenwood—who came without skills, little or no education, no available housing, and no means of a really viable livelihood, and all this has added to our problems.

HOUSING IS NOT AN ISOLATED PROBLEM

In recent years we tried to attack the problems confronting many of our small municipalities. A case in point is a majority Black community located just outside the city of Greenville. They say, "We need houses," but then you go out and look, if you want to do something about housing, and find there is no sewer system. So we have a chicken and egg situation.

Farmers Home, which was doing a splendid job in helping to construct houses in Metcalfe, could no longer do so because the State Department of Health said, "You have a problem here with your water table, and we can't allow construction of any more houses." So we can't look at our housing problem as an isolated problem. There is an interrelationship of the problem, and I think any solution to attack those problems also has to be an integrated one.

GHETTO IN THE DELTA

We fear that what we see here in the Mississippi Delta is the re-creation, Senator Leahy, of the northern phenomenon called the ghetto, the only difference being ours is not urban, ours is regional. If you were to look at the Mississippi Delta, and you look at it overall, and if you analyze in a sense the demographic data that's available to you, you're going to find that we have one huge tremendous ghetto on our hands. There was a report published, I believe, by the Census Bureau and R&D Center, which stated that we were the second poorest Congressional District, second only to the South Bronx. I don't know how many people in this room have been to the South Bronx. I have and I'm sure both Senators have. It is not a place that I would want to frequent, and certainly would not want to live there in its present state.

We have the same kind of poverty, but we don't see it because it's not as compact. The density is the difference, but the degree of our poverty is probably greater as a region. Unless we tackle the problem that confronts this area—and Farmers Home, I think, can play a major role in doing this—we are going to see a perpetuation and growth of a large ghetto with all the problems associated with it.

URBAN PROBLEMS ARE RELATED TO RURAL PROBLEMS

We quote our urban problems in this county, and I contend a large part of them are due to the rural problems, because 500 of my relatives would not be in the State of Illinois and Wisconsin right now if the basic amenities that many take for granted were placed in Panola and Tate Counties over the past 20 or 30 years. That's typical of many Black families throughout the State of Mississippi.

PRIORITY OF HOUSING APPLICATIONS

On the question of the Farmers Home loan application process, I don't think that we can narrow in and say the form is too long or it takes too much time. The problem is bigger than the form. By Mr. Barrett's own admission, Farmers Home staff gives priority to farm loans. I understand that; I don't agree with it, but I understand it. They

were put in business to assist and work with farmers. Farmers are those persons who can bring to bear the most political pressure upon those individuals, and they, being human and having bosses who are also human, are oftentimes subject to those pressures. I understand that; I still don't agree with it.

I find the process a bit cumbersome. I don't work with single-family housing loan applications as much as I do multifamily, but it's a maze of paper, of submission, and followthrough. When you're in the peak of the farm season and you have 400 angry farmers, who aren't having the best of times, breathing down your neck, I would suspect you're going to give them priority over that little old lady from Paducah who wants a 502 loan. Again that's human, and I understand it. To me it's more of a question of Farmers Home housing mandate. I think some significant changes structurally and programmatically need to be made. I would recommend that the Farmers Home allocation for housing in rural areas like Mississippi be increased, but by the same token I would also ask that any allocation increase in Farmers Home financing would include the hiring of staff persons who either have expertise or who can be trained to process, manage, and administer their housing programs.

TRAIN NON-FMHA GROUPS TO PREPARE APPLICATIONS

In addition, I would strongly recommend that Farmers Home make an aggressive effort to work in conjunction with local civic groups, nonprofit organizations, and non-human-service organizations to the extent of even putting representatives from those agencies and organizations into their training program. Train them to assist Farmers Home in processing applications to the point of having an applicant ready to go into Farmers Home to be considered for funding.

I would strongly recommend, Senators, that Farmers Home housing within the Farmers Home Administration be given some priority. It's treated somewhat akin to the bastard child of the family—we'll do that when we have nothing else to do. In the meantime, Nero is fiddling and Rome is burning, because the people who need that housing don't have access to it, and more times than not don't have money to afford it.

GREATEST NEED FOR HOUSING

One of the questions that was outlined in my letter was very interesting, I thought. It asks, "For rural Mississippians, where do you see the greatest need—Housing? Elderly? Farmworkers?" That was a difficult one when everybody needs housing. How do you prioritize among the needy? They all need it. We all need it here in the Delta.

Dr. Henry and Mr. Beamon stated about the economic impact, and I work with some individuals who are very much involved in economic development. I contend and tell them that we went into the wrong industry. We should have gone into the housing industry. It is the single greatest visible need that you can quickly see if you go two blocks in any direction from this building. I heard numbers like 2,000 units or 5,000 units. Washington County could take all of those. I dare say what the need is here throughout the Mississippi Delta, let alone other

poverty-stricken rural communities of the State, but based on my experience it's just difficult to pinpoint or categorize that need.

One need I almost never hear mentioned, and based on our experience is certainly one of catastrophic proportion here in the Delta among Blacks is female-headed households. Nearly 50 percent of all Black families in the Mississippi Delta are headed by females. More than two-thirds of those persons are on fixed incomes, and if you ever see what is provided for female-headed households, it would show you Aid for Dependent Children. It doesn't take an economist to figure out why people leave Mississippi to go to northern industrial States to draw welfare. It's a matter of civil economics—$300 versus $600. You don't have to be a mathematician or economist to figure that one out. There just aren't resources available for persons in this income category to afford housing.

Another group I heard mention of, I think, as being hit severely—maybe Mr. Barrett or Mr. Howell talked about it, or the gentleman who heads up the State Association of Homebuilders—is among young working couples.

You have a young couple here who might be just out of high school or college, married, maybe have a child, and they earn too much money for maybe one of the subsidized housing programs, but not enough to afford conventional financing, so that's a group that's being hard hit. Our elderly persons certainly are, as are our handicapped individuals. Can low-income persons afford housing even with loans subsidized at 1-percent interest? I put a big question mark behind that. What kind of loans are we talking about? Are we talking about rental housing? Are we talking about individual home ownership? Just what are we talking about?

CONFIDENCE IN THE PROGRAM IS A NECESSITY

I contend that, yes, they can. Perhaps difficult under the current structure of our programs, but what is holy about our structure? If it's not working, get rid of it and get something that does work, and I say that there are things that can work. It depends on the imagination, creativity, and willingness on the part of those who have the responsibility of making the program work. If you say it can't work, then it won't, but if you're willing to work and make a change, perhaps it can.

I use as a case in point, a housing development effort that we're involved in out in the town of Metcalfe. I feel kind of ashamed to even mention that with Mr. Tubertini and Mr. Pearl being here, but it's one we've been working on now for roughly 3 years. That housing project, when completed—and we use it as a demonstration project for a plan that we have to construct 1,000 units of single-family housing during the period from 1983 through 1988—will have single-family homes roughly equivalent to the Farmers Home homes they build: 1,100 square feet, cost of roughly $30,000 to $40,000, that the home buyer is going to have a first mortgage on of roughly $20,000. Those houses have been targeted for families with an annual income of $7,500 to $17,000 per year, and we're trying to say to both public and private sector sources that we can provide housing to low-income persons in rural communities without long-term governmental subsidies.

COMBINE RESOURCES

In this particular project, we're talking about a $1.6 million project, approximately with $1.2 million of that financing coming from a large private mortgage lender. Hopefully, we will close this loan within the next week to 10 days. We do have a viable alternative here to some of the housing programs that we're looking at, and we're willing to get in the boat for the first ride. If that project works with that 1,000-unit plan, which we project will cost between $30 and $40 million, we're looking at roughly $30 million in private mortgage capital being available. So it can work, but it takes 2 to 3 years. I know farmers loans. A farmer is not going to wait 2 or 3 years, and neither is a family most of the time when they want single-family housing. We think there are some ways that it can work, but we have to have the patience to stick to this and make it work. It will work if we want it to work.

The one thing that I would add in closing, and I would hope Farmers Home would do more of, is when you look at housing—we're talking about housing now in small rural communities, talking about the Metcalfes and the Anquillas, certainly not Greenville, or our urban metropolitan area here——

Senator LEAHY. I'm never going to make that mistake again. [Laughter.]

Mr. FARMER [continuing]. We're talking about our small communities where we don't have the water and sewer system, we don't have the streets, and in some cases we don't have the natural gas. I would encourage the officials of Farmers Home to look at our other State agencies and Federal agencies, and funds such as community development block grant funds and urban development action grant funds and see how we can combine our resources, both human and financial, and make these communities ready not only for housing. Once we get housing, we've got to have industry, because folks have to pay for them. Help folks get jobs to get income, and do additional things besides buying housing. So we're looking at trying to eliminate slum and blight in this region of ours, and I don't think we can limit our housing discussion to housing in and of itself. It's much bigger than that.

CONSULT RURAL PEOPLE ON POLICY DECISIONS

I would hope that the various committees which are responsible for Farmers Home legislation and allocation ask some rural people some of these things. We have urban folks with urban backgrounds living in the Fairfax counties who write rural legislation, and rural is Fairfax County to them. It's not just for Farmers Home. You see it across the board—what we call the urban buyers.

Let's get some people with practical experience, feet-on-the-ground kind of experience, who know Mr. Barrett's job with Farmers Home or Mr. Howell's, or Mr. Tubertini's as a private developer. Let's try to make some of these things work and design them to work, and get some of the stones out of the way that make this a difficult journey for us all.

I thank you and appre iate having the opportunity to speak before you.

Senator COCHRAN. Thank you very much, Mr. Farmer. The testimony that you both have given is extremely helpful and welcomed by me in a very sincere way, and I appreciate your taking time to give it your careful thought and consideration. I'm hoping this can translate into positive action in terms of funding levels and the design of programs to help better meet the needs that we have here in Mississippi.

BRINGING WASHINGTON TO THE PEOPLE

The observations that Larry Farmer has made about getting some of the stones out of the way and getting the programs designed so they can be more effective, are extremely important to do. If you can help identify any of those stones and help us locate them, that's why we're here—to try to find something that we can take back with us to recommend or to get done that will help make a difference.

Pat and I were talking a while ago about how important it is for Senators and Congressmen to get back out into those areas of the country where people are trying to live with particular problems, and who are trying to use Government programs to help improve their standard of living. If we spend more time in these areas, we can learn more about the deficiencies of the programs and how we can improve them. We also talked about the fact that we spend too much time in Washington, and I agree with that. That is a fact. We do need to do more of this, and other Senators need to be more involved in this kind of hearing process.

I've been to Metcalfe. I went with Larry and looked at some of those problems that he described and saw some of the successes that are evident there, too. It is really impressive to see the progress that's been made just because of the initiative and willingness to work with people who want to make a difference. I think if we are going to improve the Delta and try to put a little more sunlight in some of the shady spots in the Sun Belt, we're going to have to do a better job. We're going to have to get more people involved and be more dedicated in the way we go about trying to address the problems.

Senator LEAHY. You know, Thad, you were talking about getting out in the area, and Mr. Farmer's comment about Fairfax County; I agree. I brought a group about 7 or 8 years ago from the administrative departments in Washington who were supposed to administer these various programs, and this was on rural health care, which in many ways bears some of the same relations as rural housing. I brought them up to Vermont to Grand Isle County, which is basically a series of small islands in Lake Champlain. The total county has about 2,500 people in it. It stretches about one-third of the State to the Lake. So that gives you an idea of how thinly populated it is.

The program I was talking about would need a great deal of citizen participation. People would really have to get involved in it. They could not be convinced that anything that sparsely populated could get the involvement.

We got up there, had dinner, and all day long the temperature had been dropping and dropping and by night it was 35 degrees below zero and still going down. These folks from Washington said, "Well, obviously, they're going to cancel the meeting. Obviously, you're not going to do anything; the Governor must be prepared to declare an emergency." I said, "No, it might be a couple of minutes late starting but that will be the most," keeping my fingers crossed.

We got to the hall and the place was mobbed. I think we had practically everybody in that whole archipelago of islands there because they were concerned with the program. They were concerned that the people in Washington didn't understand it, and they were going to let them know.

I think you will find it that way in most rural areas. People in rural areas think they're actually going to design the programs to work for them, and that they actually have a voice in it, which is just as important as designing them. Once they actually have a voice in it, then you get that kind of participation.

Anyway, we can say it over and over again different ways, but I compliment Senator Cochran in taking his committee out of Washington. We can have dozens of hearings in Washington and I think most Senators if they come to them, spend 5 or 10 minutes at a hearing and go on to something else. Down here we actually listen, and we thank you for making that possible.

Senator COCHRAN. We're going to be having hearings in Washington, as we normally do, to review the budget requests of the Department of Agriculture and all of its agencies—Farmers Home Administration and others. I'm going to present the observations that you have made, the questions that you have raised, and the problems that you have identified here, to the Farmers Home Administration witnesses at the Secretary level and below. We'll see if we can't get some better attention, some more aggressive assistance, some better allocations of funds for the programs that can really work and make a difference in people's lives down here. Thank you very much for being here—thanks a lot.

STATEMENTS OF:

BRUNO TUBERTINI, HOME BUILDER/DEVELOPER, GREENVILLE, MISS.
ELEY SHAPPLEY, CONTRACTOR/BUILDER, GREENVILLE, MISS.

Senator COCHRAN. Our next and final panel of witnesses include Bruno Tubertini and Eley Shapley.

We appreciate your being here to help us get the builder's perspective. Bruno Tubertini is a person who has been involved in real estate development and contracting, as a builder of single-family housing in particular.

Eley Shappley has been involved as a contractor and builder in multi-family housing units. We appreciate your being here and invite you to make any comments or suggestions or any statement that you choose. Then, after your statements, we'll have a chance to discuss that. I will ask Bruno to start off.

ECONOMIC BENEFITS OF LOAN PROGRAMS

Mr. TUBERTINI. I don't have a prepared opening statement. I'm Bruno Tubertini, a home builder-developer here in Greenville. I am participating now in 502 Farmers Home programs as well as the 515. Without the 502 there would be just a whole lot of families in this area who would not be housed; they could not afford decent housing and would, therefore, still be in substandard housing.

From a selfish standpoint, it has kept a lot of builders busy during the last year or two who might have gone by the wayside. When a builder is busy, the carpenters, plumbers, electricians, and painters are busy also and keep the grocery stores busy.

I am pleased to be a part of the Farmers Home programs and to be working with the people who are trying to make it work. This last influx of money that we've had in the past fiscal year—Mississippi put up a good fight in getting a good bit of that money. With our local people working and getting the loans out, we were able to house some folks who would not have been housed. In turn, we were able to keep some builders busy who would not have been busy.

I don't have anything else special to say, but I would be glad to answer some questions.

Senator COCHRAN. OK; thank you, Bruno.

Eley, you may proceed.

FARMERS HOME IS FINANCIAL SALVATION FOR THE DELTA

Mr. SHAPPLEY. I'm Eley Shappley and I've been a builder, I guess all my life, primarily in custom homes, custom work business, which is not really the best to be in. It kind of reminds me of the fellow—and I'm sure you've heard about him—going to this craps game. The man told him, "Man, you know that's a hard, tough game and you don't stand much chance." And he said, "Yeah, but it's the only game in town." So that was the only game in town—custom work—and that's what I've been doing.

In view of the severely depressed housing market in our area caused by high mortgage rates, the Farmers Home program for rural housing has been an absolute salvation for my company. This program, more realistically than any other that I have encountered, has made it possible for many deserving families to acquire a well-built, healthy place to live at a reasonable cost. This program has been the crucial difference in the survival of my construction business. Before starting to work in this program, I was forced to cut back to a skeleton crew, practically down to 2 men, and I had hired 24 carpenters. Since working in this program, I have been able to hire those men back and, of course, additional men, too, which I'm sure has helped benefit the community.

I was introduced into the multifamily business by a good friend of mine, who is sitting on my left. He had a project; I built it for him and I enjoyed it. That was the first time I had built anything that big in 6 months. Custom homes take anywhere from a year to 2 years. That was a big help to me. I built a 48-unit project and then contracted for a portion of another one. Since then, I have developed a 32-unit project in

Metcalfe, of which I have some pictures if anybody wants to see them. I have another one under construction right now as a developer.

TYPICAL PROJECTS: QUALITY AND SAFETY

The complexes are located—you probably know this but I'll go over it anyway—in rural areas, preferably where you have city or community sewer and water. The size of an individual apartment will range from 570 square feet for a one-bedroom, to 1,320 square feet for a five-bedroom. The survey made initially will determine the size of the apartments, how many bedrooms are needed, and how many of each in one unit. Of course, the room sizes are in compliance with the minimum property standards.

Of course, it takes a lot of work and planning in the preparation and completion of a complex, both on the part of the builder and his associates, the architects and engineers, and all the other related professions that take part in it.

In the past several months—and I think this is important—the processing time for a complex has been reduced to a period of 4 to 5 months, and I think that's ideal. Considering the many items and steps involved in processing units of this size, I don't know of any other way it can be expedited.

Here I will tell you a little bit about what goes into them. Usually when somebody says, "This is a Government project," the first impression you get is that it will be built haphazardly or substandard. Well, this is not true.

The multifamily unit is very well built, solidly built. The design criteria is based on the MPS manual and extends the need for attention to the occupants' health, safety, and general welfare. To accomplish this, attention is given to energy conservation by inclusion of insulated doors, windows, equivalents of 6 inches and 10 inches of insulation in walls and ceilings, respectively. It's provided with central heating and air conditioning to provide a moderate degree of comfort in the summer and winter months. Good quality ranges, refrigerators, vent-a-hoods, and water heaters are included in the basic construction package. Attention to maintenance of the units is considered with dominate brick veneer exteriors and limited wood sidings.

All this you can find in your Farmers Home booklet, but maintenance again is pointed out in the extensive use of concrete for your streets, parking, sidewalks, and your recreation areas.

Improvements are outstanding in creating a homey subdivision atmosphere with better and more landscaping, shrubs, trees, and whatever it takes to make an apartment complex look good. Sturdy playground equipment is generally located near the laundry facility and the office building. This gives the kids a chance to stay off the streets, be in their own yard, and, of course, mothers in the laundry room can observe what the kids are doing.

Engineering is considered from start to finish with the use of soil explorations to determine foundations, and topographic surveys assist in site drainage plans, good green areas, proper water and sewer distribu-

tion, and coordination of other utilities such as gas, electricity, TV, and telephone.

Safety considerations are considered near sidewalks in playground areas—handicapped access to and from parking areas and to units, central office buildings and ramps where and as required, and general lighting for streets and parking. Also, attention is given to trash and garbage collection, either by a central location on or near the site, or by the city or county collecting department or private vendor.

That's about it. It gives you an idea about how they're built, anyway.

MULTIFAMILY PROGRAM IS SUCCESSFUL

In closing, I would like to add that I've been in the building business for 32 years, and I've experienced and survived, somehow, several recessions and have seen various programs designed to help us builders and the public come and go. I can say now, without a doubt, the Farmers Home multifamily program for rural housing has been and is the most successful program initiated yet to help the building industry, the community as a whole, low- and moderate-income families, and the Government.

It has been my pleasure—and I wouldn't say this unless I meant it, because I don't say anything unless I mean it—to work with the district and State officers, and I commend them highly on their efficiency and unselfishness in administering this program and being there when they're needed to make information available.

Senator COCHRAN. Thank you very much, Mr. Shappley. I appreciate your testimony and Mr. Tubertini's as well.

MODERATE-INCOME HOUSING

There's been some discussion every time we've reviewed the budget requests of the Farmers Home Administration over the past few years, about how much emphasis to place in the very low income categories and how much to make available in the so-called moderate-income categories. You heard testimony this morning, if you were here and I think you were, when the head of the Home Builders Association mentioned the working people who have incomes from, say, the $10,000 to $20,000 area, and that there's a gap there. Is there any building going on or is there any program that is available that we could take a look at to see whether or not it could be designed to help provide a benefit to people if it's needed in that income bracket?

Mr. TUBERTINI. I would say your 504 program would just about meet that particular need. I think more funds should be appropriated for that program than Mr. Riley indicated.

Senator COCHRAN. Well, he was talking like there just weren't any funds available or there was no program available, and I thought we did have a moderate-income program available. Have you had any personal experience?

Mr. TUBERTINI. I've been strictly 502.

Senator COCHRAN. You have not personally been involved in building any houses in the 504 program?

Mr. TUBERTINI. No.

Senator COCHRAN. Have you, Mr. Shappley?

Mr. SHAPPLEY. No, sir.

Senator COCHRAN. Is there any building in that program done in the Greenville area or the Delta area?

Mr. TUBERTINI. I don't know.

Senator COCHRAN. Why do you not engage in building in the 504 program?

Mr. TUBERTINI. Well, when the interest rate was 13.75, for example, HUD and VA rates at that time were, maybe, 14½ or 15. You still have the gray area between 11 and 13. You just don't have the people who can afford to pay that interest rate, and now I think it's 11.75 for 504. As that comes down, I think you will see more people applying for the loans.

Senator COCHRAN. So, it's simply a function of the interest rate or the cost of financing the mortgatge?

Mr. TUBERTINI. Right. It's not a subsidy-type interest credit at all; the 504 is not.

PROBLEMS WITH LOCAL ZONING REQUIREMENTS AND LOCAL ATTITUDES

Senator COCHRAN. I've heard some discussion about the difficulty of building some multifamily housing units because of the zoning requirements and problems with municipal governments, people who don't want that kind of housing unit in their part of town. What's the answer to that kind of problem in your judgment? Have you had any experience in dealing with those problems?

Mr. SHAPPLEY. Well, you run into that in some areas. Initially, you have to find a site or town that needs some units, and you really have to have the blessings of the city fathers before you can even start looking, because there's no need to look unless you're welcome in an area. You do have that problem. You don't have it everywhere, but once in a while you run into it.

Mr. TUBERTINI. We have found that once you get in to talk to the board of aldermen or city council or people involved in the smaller towns, they don't really understand the program. They think you're coming in with a deep subsidy program to get a ghetto going, or just something to get in and build it and get out. Of course, that's not what the 515 is. It's an interest credit, and it affords rental units for people who can pay $175 to $200 a month. They can't be making over $17,500 adjusted income, but they have to be making enough to make those particular payments, and it's definitely a deep subsidy.

When you first go into a town and talk to the city fathers and try to explain to them you want to build a Farmers Home project—when you first say "project," that turns them off right there. But you educate them to the fact that it's not a deep subsidy and it's going to be good for their town. I had a big problem in Leland and now they're tickled to death with it. At first they didn't want it and now it's the nicest thing they have. I just think it's a matter of getting the town fathers educated to just exactly what you plan to do.

Mr. SHAPPLEY. I think another problem, too—there have been some other projects that went into these towns, let's say HUD projects—is that in most cases they're not well managed. This creates a problem, and this is what gives people their objections to them. I haven't been in this business long, but what I've seen of the Farmers Home projects, they are well managed and taken care of.

REQUIREMENT TO BUILD IN RURAL AREAS

Senator COCHRAN. Where do you typically build a 515 project? Is there any characteristic that's common to most of the 515 projects?

Mr. TUBERTINI. Well, we would like to build them right here in Greenville, but Farmers Home won't let us. They have what they call the red line. In a town or city over 20,000, there's a red line drawn around the outer area of the city limits, a mile or mile-and-a-half or 2 miles out, and you can only build a project outside that red line.

Senator COCHRAN. Why is that?

Mr. TUBERTINI. That's what I would like to know.

Mr. SHAPPLEY. My opinion of it is, I thought it was so it wouldn't go in competition with the private investors and their apartments and so forth, you know. That is one reason I thought it was like that. I don't know, but we might get an answer on that.

Senator COCHRAN. It's only in towns of 20,000?

Mr. SHAPPLEY. Or over. It's like I said, you go in your rural areas, and you really need community water and sewer if you can find those. If you go very far out of those red lines, it's pretty hard to reach water and sewers because some of these towns don't have it in that area. These were built in Metcalfe and they had water and sewage.

Mr. TUBERTINI. I understand now. Take Greenville for instance. Even just outside the red line area, unless it's been changed recently, a ruling came down from Washington not to allow any more projects just outside the red line area because of it being close to a larger city. Greenville definitely needs some 515 houses.

Senator COCHRAN. I think that may be in response to some who are concerned that this is a program designed to benefit rural America. It's part of the Rural Development Act that created the authority for Farmers Home Administration to have this kind of housing program to begin with. I think that act passed about the time I was elected to the House of Representatives. I remember my initial campaign to Congress was to try to make sure that funding was going to be made available for the Rural Development Act. It was a 1972, or thereabouts, enactment.

That is when you were elected, wasn't it, Pat?

Senator LEAHY. In 1974.

Senator COCHRAN. I think that is the problem. They are restricted by law to rural areas.

SUBSIDIES

Do you have any recommendations, based on your observations and experience with the program, on how it could be improved so that it meets the needs of persons who do need housing and who might not otherwise be able to afford housing?

Mr. TUBERTINI. I think if some form of subsidy could be attached, it could help the very low income.

Senator COCHRAN. You mentioned that when you were talking with the city fathers and those who are involved in trying to decide where to permit a project of that kind to be built, the 515 program is not a deep subsidy program. Are there Farmers Home housing programs that are deep subsidy programs that you've had any experience in working with in the past?

Mr. TUBERTINI. I have not had any experience with it. I understand in the past there has been some subsidy attached—section 8 subsidy—and that possibly some might be in the future. When I say "problems with city fathers" when you talk about subsidy, that's in some of your smaller towns. But in some other areas they're crying for something like this with subsidy attached to it, such as, I think Mr. Henry mentioned, Tunica County.

Senator COCHRAN. And Quitman County. We have some people here from Quitman County who are interested in housing there. Maybe we can get y'all together and work it out right here today.

Mr. TUBERTINI. That would be fine, and Mr. Howell is sitting right over there, too.

Senator COCHRAN. We can get Lester Howell to recommend approval of it and just "get it on" as they say.

PREFAB HOUSING

Senator LEAHY. Mr. Chairman, I asked some of the people up home in Vermont the same thing, but can you compare manufactured homes as an investment versus stick-built homes?

Mr. SHAPPLEY. In what sense of manufactured home?

Senator LEAHY. Well, what kind of investment is it? A prefab house, or starting first with what we used to call house trailers, but I guess they no longer have wheels on them. They just bring them in and put them in. How are they building those things today? What kind of investment are they? We've heard some testimony here today that people are concerned about them. They say they deteriorate very rapidly.

Mr. SHAPPLEY. The testimony we heard, to a point I agree with the gentleman. They just don't hold up as long. I think what has happened is that these homes are prefab completely—brought in and set down. Generally a prefab—not in all cases—but generally a prefab unit like that is not built with the same dimension material as you would build or that we build these apartments.

In the sense of prefab, we use on our apartments and some housing prefab wall panels, prefab roof trusses and floor trusses, and we find this to be as substantial as stick building. We are using a lot of that and it's not really to save a lot of money but to save time. On these complexes you have a certain amount of time to build them in and you don't want to rush through them. Consequently, you go to wall panels and floor trusses to save some time.

Senator LEAHY. Mr. Tubertini, do you feel the same way?

Mr. TUBERTINI. I think possibly in the future. I don't know how far off in the future, but I realize HUD, VA, and Farmers Home now have accepted manufactured housing. I don't feel that these houses will appreciate as well as a stick-built home, so to speak. In fact, I feel possibly they would have more of a tendency to depreciate as a mobile home does. I think, however, with frequent plant inspections and certain codes that they would have to live up to, that probably there will be a place in the marketplace for them. I don't think it would be as easy to obtain an insured or guaranteed loan on a manufactured home, although HUD and VA will insure these loans.

Your lenders are very hesitant about it. When I say "hesitant," they will insure or guarantee it, but instead of a 3-point discount you're going to pay for a stick-built home on today's market, you will pay a 10-point discount. So it discourages a developer developing an area to go in and put in some slabs and come in and set this home down on there.

Senator LEAHY. Thank you.

REHABILITATION PROGRAMS

Senator COCHRAN. I wonder whether or not any of you have had any experience with rehabilitation of housing. Have you any observations to make about earlier recommendations we heard for more emphasis being placed on funding, rehabilitating, and repairing existing housing?

Mr. TUBERTINI. I think, as Mr. Henry said, the general public who is interested in rehabilitation, the people who have these houses that are substandard now—not exactly substandard, but need improvement to get them up to certain energy standards—don't realize that these types of loans, small loans or grants, are available. Without someone like me or some of my folks, or someone getting out and beating the bushes and trying to drum up some business, they are not going to be educated to that fact. I think Mr. Henry said he left some pamphlets and suggested that they be distributed in the rural areas where you find most of these homes. I think if that is done and my people are educated to do it, I think there is a place for some rehabilitation funds.

Senator COCHRAN. Well, I appreciate your taking time to be here with us this morning and discussing the Farmers Home housing programs. You've been a big help to the subcommittee, and we appreciate your assistance. It's good to get to see you.

CLOSING REMARKS

This concludes the witness list we had made up for today's hearing. I again want to thank everybody for being here and helping us examine the Farmers Home housing programs as they are being administered and operated in Mississippi.

We will, when we get back to Washington, review the President's budget request. That request will be submitted this week to the Congress in a formal way, and hearings on this will begin immediately in our Appropriations Committee. We will be trying, with this better knowledge and better understanding, to help make sure that the fund-

ing levels for these housing programs are adequate to help meet the needs of the people of this State and across the Nation.

Again, I want to thank very sincerely, Senator Leahy, for taking time out to come down here and be with us today. His participation has certainly been very helpful to me, and I'm glad to have him here so he can help me convey to the other members of the committee some of the facts about the problems that we confront here in the State of Mississippi. For that I am deeply grateful.

I appreciate, too, what our staff has done in preparing for the hearing, making contact with witnesses and making arrangements for the hearing. Bonnie Harkness of my office, who is my specialist, my resident expert, on housing legislation, has been very helpful. Forest Thigpen, who is on the Appropriations Committee staff, is from Cleveland, Miss., and is here today and has been a big help in doing the work that's necessary in the subcommittee on appropriations that I chair.

I don't know whether I've mentioned this to Forest or not, but you know we have another resident of Bolivar County who is in Washington and quite famous now, Larry Speakes, who is the spokesman for the administration. You might be interested to know that the other day I happened to be over at the White House, and Larry invited me to come into his office for a little visit before I left to go back to the Hill. He showed me these clocks he has on his wall in his office. They are about the size of this clock that's on the wall here in the board of supervisors room, but there are five of them. Under each one is the name of the place where it's the time shown on that clock. He has the time of day for London, Moscow, Paris, Washington, and Merigold. Merigold is the name of this town that has—what's the population of Merigold, Forest?

Mr. THIGPEN. A few hundred.

Senator COCHRAN. A few hundred, and, of course, nobody who comes in that office knows where Merigold is, but it's great to see.

Forest is a Bolivar County native, and we're glad to have him in Washington helping us sort all this out.

We also appreciate Beverly Ward of my staff, who was here earlier helping with the arrangements for the hearing.

Pat, you can introduce your staff.

Senator LEAHY. Yes. John Letteri from Westford, Vt. John works with me in agricultural matters primarily and tries to keep me out of trouble and does it fairly well. He has been working closely with Senator Cochran's staff in preparing me for this hearing. Senator Cochran didn't need any preparation. He already knew the matters, but I needed a little bit of bringing up to speed.

Georgia Joyall, who is my personal secretary, who handled the logistics of making sure that we got from the frozen North to the—I was going to say the sunny South, but it's the windy South here this morning.

Again, I want to thank everybody here. It's good to be down here. Thad talks about Mississippi a great deal to me and has been after me for a while to come down, and I'm glad I've had this opportunity. I just

hope sometime when I come down with my wife and when Rose is here, we can go out and have a little time to go fishing or something like that.

I think we also ought to thank this young woman—court reporter Juanita Edwards—who has been doing all the work no matter how much we say, and she has even been able to transcribe Yankee as I've been talking here, and that's not always easy.

Senator Thurmond invited me down once to give an opening lecture at the Strom Thurmond Institute at Clemson. Then, Strom and I were going to be engaging in a little debate for the public television in that area. They were laying out the rules and Strom said, "Wait a minute, wait a minute. You say that I have 5 minutes for an opening statement and Senator Leahy has 5 minutes for an opening statement. I should have 10 minutes, because he talks twice as fast as I do." Thank you.

CONCLUSION OF HEARING

Senator COCHRAN. Thank you, Senator, very much. Thank you all for being here. We've had an excellent hearing, and we appreciate your cooperation. The subcommittee will recess and reconvene at the call of the Chair.

[Whereupon, at 11:27 a.m., Monday, January 30, the hearing was concluded and the subcommittee was recessed to reconvene at the call of the Chair.]

MATERIAL SUBMITTED SUBSEQUENT TO THE HEARING

[CLERK'S NOTE.—Subsequent to the hearing, Senator Cochran received the following letter from Ms. Tenna P. Reed of Fulton, Miss.:]

LETTER FROM TEENA P. REED

JANUARY 24, 1984.

Hon. THAD COCHRAN,
U.S. Senate,
Washington, D.C.

DEAR SENATOR COCHRAN: People in rural areas have the same need for decent, safe, sanitary housing at a reasonable cost as those in urban areas. A real problem has been the unwillingness of some resource agencies to promote or even accept rural projects for scattered sites. Also, because population density is often used as a principal criteria for distributing funds, rural areas are often overlooked.

People in need of housing ought to have their choice of where they wish to live. Decent and affordable housing must become as available in the rural areas as it is in urban areas. Vacancy rates of less than 4 percent do not afford this choice.

Most dwellings, 75 percent, exceed 40 years in age. Rural housing construction still has not met the needs of lower income persons who wish to own their homes. Community acceptance must be addressed if this is to increase, at least in North-East Mississippi.

The Farmers Home Administration has been the major provider of housing through history since the 1930's. HUD is increasingly serving rural areas through public housing section 202 and other programs in the past decade.

The problems rural areas face can be understood in terms of their need for smaller projects, and their general isolation from centralized information and service centers. Housing agencies and programs should insure that local communities, public housing bodies, and nonprofit and community organizations have access to planning and development assistance to assess their housing needs, to formulate a plan of action to address those needs.

Housing discrimination is just another of the special problems rural areas face, since it involves people's individual attitudes and conceptions. It can range from racial or age discrimination to discrimination against parental or economic status. Passing new laws sometimes isn't enough, since enforcing what is on the books is already a problem.

Due to Federal cutbacks, to really investigate civil rights matters, antihousing discrimination groups in urban areas are on the rise, yet in rural areas the lack of places to report housing discrimination is another problem. HUD programs required fair housing actions on the part of all participating communities. FmHA requires it also, yet there is no governing body to assur. that FmHA doesn't discriminate in its practices and I quote Dr. Fro of the U.S. Department of Agriculture, we cannot investigate ourselves, and since we only have a six-member staff "all needed in the office because Mr. Reagan cut out all travel funds." Fair housing laws required by Federal and State law do not alleviate the problem of housing discrimination.

Since I am well aware that housing is generally not one of your areas of concern, I appreciate your attempt to solve some of its problems by holding hearings. However, before closing, I'd like to document a few suggestions, which I am assured will be forwarded to the proper officials.

Because we can't believe everything we hear in the news media, I certainly doubt that the people of Mississippi are uneducated, lazy, and want to remain so, as a person who lives here likes the fresh clean air and peace and quiet. Though it hasn't been a bed of roses I'd like to make it better for everyone to work and play.

Therefore, I suggest a housing plan and policy be developed as a framework for Federal and State housing programs operating within the State.

The policy should be developed through a process of broad public participation and should have formal support from the legislature and Governor to be effective.

It should define needs and create appropriate programs to meet those needs. Above all, it should clearly define the responsibility for implementing those programs. To overcome the present lack of information on Housing policies and lack of coordination between program service providers and the public, a central information clearinghouse should be established that will be accountable for correctly screening inquiries and referring them to the appropriate public or private program office.

Thank you again for your concern in this ever-increasing problem, and for reading such a long letter, but I've done a bit of research in Lee County as well as Itawamba County, and find in Lee County a waiting list, yet in Itawamba County people are un-

able to obtain their own homes through FmHA. I ask myself why, because there are numerous houses available.

Sincerely,

TEENA P. REED.

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